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# NEW ZEALAND IN THE INDO-PACIFIC

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#### New Zealand's Diplomatic Tightrope: The Editors' Note

In the grand theater of geopolitics, where the titans of East and West engage in their sempiternal struggle for supremacy, we find ourselves drawn to an unlikely protagonist: New Zealand, that diminutive archipelago nestled in the vast expanse of the South Pacific. In collaboration with the Institute for Indo-Pacific Affairs (IIPA), an independent, nonpartisan research center based in Christchurch, the journal has chosen to illuminate this curious case, presenting a veritable smorgasbord of scholarly ruminations on Wellington's precarious position betwixt the Scylla of Chinese economic enticement and the Charybdis of American strategic embrace. Our guest editors for this issue are IIPA's very own Dr. Alexander C. Tan and Dr. Orson Tan.

One cannot help but marvel at the audacity—nay, the sheer chutzpah—of New Zealand's diplomatic corps as they pirouette along the precipice of great-power rivalry. For the better part of a decade, these antipodean acrobats have been lauded for their masterful execution of what the cognoscenti have dubbed "asymmetric hedging." This euphemism is but a polite way of saying that New Zealand has been shamelessly cavorting with the dragon while still maintaining its vows to the eagle.

But lo! The tectonic plates of global power are shifting, and the fault lines of this delicate balance are beginning to show. As the leviathans of Washington and Beijing lock horns with increasing ferocity, Wellington finds itself in the unenviable position of a rabbit caught between two warring elephants. The question that now looms large over Aotearoa is whether its diplomatic dexterity can withstand the gravitational pull of this new bipolar order.

At the heart of this Gordian knot lies the age-old tension between Mammon and Mars. Dr. Alexander C. Tan and Neel Vanvari, in their aptly titled discourse "Strategically Secure but Economically Insecure," lay bare the cold, hard calculus facing New Zealand's policy makers. With the perspicacity of a Wall Street analyst and the sobriety of a mortician, they argue that the siren song of Chinese lucre is simply too alluring for Wellington to resist, even as the drums of war echo faintly in the distance.

One can almost picture the New Zealand farmer, ruddy-cheeked and calloused-handed, looking wistfully toward the setting sun as he contemplates the Faustian bargain his nation has struck. For it is the sweat of his brow, transmuted into milk and wool, that now flows eastward to sate the insatiable appetite of the Middle Kingdom. To sever this lifeline, our learned authors posit, would be tantamount to economic hara-kiri.

Yet, as any student of Thucydides will tell you, the exigencies of power rarely bow to the dictates of commerce. The United States, that colossus astride the Pacific,

has not been idle. Through initiatives bearing acronyms that would make a Soviet bureaucrat blush—AUKUS, anyone?—Washington has been assiduously weaving a web of alliances to contain the Chinese behemoth. And herein lies the rub for our Kiwi friends: how long can one dance at two weddings with one posterior?

The historical trajectory of New Zealand's foreign policy, we are told, has been one of "strategic adaptability." This is a charitable way of saying that Wellington has a penchant for hedging its bets. From the halcyon days of ANZUS to the more recent overtures to Beijing, New Zealand has played the field with the alacrity of a seasoned diplomat and the moral flexibility of a contortionist. But as the tectonic plates of geopolitics grind ever closer, one wonders if this adaptability will prove to be New Zealand's salvation or its undoing. Dr. Nicholas Ross Smith's article, "The End of New Zealand's 'Asymmetrical Hedge'?," suggests, the pressure on Wellington's middle-ground diplomacy is becoming more acute as great-power tensions escalate.

In "Smart Power or Strategic Apathy?," Dr. Juhn Chris P. Espia offers a sobering analysis of New Zealand's defense posture, revealing a nation dangerously unprepared for the strategic challenges of the Indo-Pacific. Dr. Espia, argues persuasively that geography, history, and domestic politics have conspired to create a military force structure ill-suited to New Zealand's stated ambitions. Years of underfunding and policy stagnation have left the New Zealand Defence Force playing an outsized diplomatic role while lacking traditional combat capabilities. The author rightly points out the perilous contradiction between New Zealand's vaunted "independent foreign policy" and its de facto free-riding on Australian and American security guarantees. As China's influence grows in the Pacific, New Zealand's strategic apathy looks increasingly like a reckless gamble. Unless Wellington awakens to the realities of great-power competition and invests seriously in defense, it risks finding itself adrift in increasingly turbulent geopolitical waters.

In his article, "Retooling New Zealand's Independent Foreign Policy for the AUKUS Era," Dr. Nicholas Khoo presents a compelling case for New Zealand's participation in the AUKUS alliance, particularly its Pillar II component. The author meticulously dissects the arguments of AUKUS critics, who fear entanglement, damage to New Zealand's independent foreign policy, and Chinese retaliation. These objections are systematically refuted as shortsighted and potentially detrimental to New Zealand's long-term interests. The piece persuasively argues that AUKUS membership would allow New Zealand to contribute meaningfully to regional stability and reinvigorate its crucial alliance with Australia. It emphasizes the changing geopolitical landscape, particularly China's assertiveness, as necessitating a recalibration of New Zealand's foreign policy. The author adroitly points out that New Zealand's historical independent stance need not preclude

strategic partnerships, and that AUKUS offers vital opportunities for technological cooperation and interoperability with allies. In essence, the article advocates for a pragmatic, forward-looking approach to New Zealand's security interests in an increasingly complex Indo-Pacific region.

Dr. Orson Tan, in "Hurting, Not Helping," presents a cogent analysis of New Zealand's misguided approach to foreign policy in Southeast Asia. The author argues that New Zealand's emphasis on a values-based, ideologically-driven foreign policy has proven ineffective and even counterproductive in its relations with ASEAN nations. While New Zealand champions liberal democratic values, ASEAN prioritizes pragmatic concerns of regional stability and economic development. This misalignment of interests has led to frustration among ASEAN members, who view New Zealand as failing to substantially contribute to the region's security and prosperity. The author suggests that New Zealand must pivot from its moralistic posturing to a more practical engagement with Southeast Asian realities if it hopes to deepen its strategic partnerships in this crucial region. In essence, the article serves as a cautionary tale against the folly of idealism in the face of realpolitik.

The domestic political landscape of New Zealand, far from being a bastion of stability, adds yet another layer of complexity to this diplomatic minuet. The recent ascendancy of the center-right National Party, with the irrepressible Winston Peters once again donning the mantle of foreign minister, portends a potential shift in the wind. Peters has long been a proponent of closer ties with the Anglosphere. His reappointment may well herald a recalibration of New Zealand's compass, potentially steering the ship of state back toward the familiar shores of its "traditional allies."

However, let us not be too hasty in our prognostications. The siren song of Chinese capital continues to echo through the corridors of power in Wellington. The economic entanglement with Beijing, we are reminded, is not some passing dalliance but a deeply rooted symbiosis. To extricate oneself from such an embrace would require a feat of economic and political legerdemain that would make Houdini himself blanch.

And so, we find New Zealand caught in a geopolitical Catch-22 of Hellerian proportions. Too strategically significant to be ignored, yet too economically dependent to act with true autonomy. It is a position that has led some to brand New Zealand as the "weak link" in the vaunted Five Eyes alliance—a characterization that, while perhaps uncharitable, is not entirely without merit.

Yet, in this precarious balancing act, there is also opportunity. New Zealand's very vulnerability may prove to be its strength, allowing it to exercise a degree of agency that belies its size. By playing the role of honest broker—a Switzerland of

the South Pacific, if you will—Wellington may yet carve out a niche for itself in the emerging Indo-Pacific order.

As we survey the geopolitical chessboard, it becomes clear that New Zealand's grand strategy cannot be reduced to a simple binary choice between the American eagle and the Chinese dragon. Rather, it is a multidimensional calculus, incorporating elements of economic pragmatism, strategic necessity, and a uniquely Kiwi brand of realpolitik.

The contributors to this special issue argue, with an unanimity that would make a Soviet election blush, that New Zealand's path forward will likely involve some recalibration of its current stance. Yet they also contend, with equal conviction, that the core of Wellington's strategy—its penchant for hedging—will remain intact, at least in the short to medium term.

But here's the rub, as the tectonic plates of great power rivalry continue to shift, the space for such diplomatic gymnastics may well be shrinking. The day may soon come when New Zealand finds itself forced to make a choice—to declare, in no uncertain terms, where its true allegiances lie.

In conclusion, this special issue of the *Journal of Indo-Pacific Affairs* presents us with a tableau vivant of New Zealand's strategic predicament. It is a picture painted in shades of grey, with nuances that would confound even the most astute observer of international relations. As the Indo-Pacific region enters a new phase of great power competition, New Zealand's ability to navigate these treacherous waters will not only determine its own fate but may well serve as a bellwether for small states everywhere.

For in the end, New Zealand's dilemma is not merely a question of foreign policy—it is a test of national character. It is a challenge that will require all the ingenuity, all the resilience, and yes, all the strategic adaptability that this small but proud nation can muster. The world watches with bated breath to see whether the Land of the Long White Cloud can continue to chart its own course, or whether it will ultimately be swept up in the currents of history.

-the Editors

### "Strategically Secure but **Economically Insecure**"

#### Economic Security and New Zealand's Grand Strategy

Dr. Alexander C. Tan Neel Vanvari

#### Abstract

In recent years, China has become New Zealand's largest trading partner, while the United States and its allies, particularly Australia, remain its traditional security partners. Like other Indo-Pacific states, New Zealand has adopted an asymmetric hedging strategy to manage its relationships with the United States and China. As tensions between Wellington and Beijing, and Beijing and Washington intensify, there are calls for New Zealand to adopt a more active pro-US stance. This article examines the likelihood of New Zealand changing its hedging strategy. We assess the role economic security plays in Wellington's calculus to determine if closer ties with the United States are feasible. We argue that, in the short term, Wellington is unlikely to abandon its hedging strategy due to high economic security costs. Finding alternative markets is difficult, due to international pessimism toward free trade and constraints within New Zealand's domestic political economy, suggesting China will remain indispensable for New Zealand.

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s US-China strategic competition sharpens, the Indo-Pacific's regional security architecture is in "flux." The relationship now hinges more on competition than cooperation, marking a major shift in the global order since 1945. During the Cold War, the order was defined by US–Soviet rivalry. Afterward, it transformed with America's emergence as the sole superpower in a unipolar system.<sup>2</sup> With China's rise and Xi Jinping's assertive foreign policy, geopolitics have shifted

<sup>&</sup>lt;sup>1</sup> Rohan Mukherjee, "Chaos as Opportunity: The United States and World Order in India's Grand Strategy," Contemporary Politics 26, no. 4 (2020), 421, https://doi.org/.

<sup>&</sup>lt;sup>2</sup> Kenneth N. Waltz, "The Stability of a Bipolar World," *Daedalus* 93, no. 3 (Summer 1964): 881–909, https://www.jstor.org/; Immanuel Wallerstein, "The World-System After the Cold War," Journal of Peace Research 30, no. 1 (1993): 1-6, https://journals.sagepub.com/; and John G. Ikenberry, "Institutions, Strategic Restraint, and the Persistence of American Postwar Order," International security 23, no. 3 (1998): 43-78, https://doi.org/.

to an asymmetric multipolar order or a Cold War-style bipolar order.<sup>3</sup> Consequently, Indo-Pacific states and beyond must adjust their foreign policies.<sup>4</sup>

For many Indo-Pacific states, China is the largest trading partner, while the US and its allies remain their closest security partners. New Zealand faces a similar dilemma. It has maintained close relations with traditional security partners—the United States, Australia, and the Five Eyes countries—while enhancing its economic relationship with China. New Zealand has walked a "middle path," but as US—China relations fracture and Wellington's ties with Washington and Beijing evolve, this approach may falter. Reuben Steff and Francesca Dodd-Parr argue that a strategic triangle exists among New Zealand, the United States, and China, where changes in any bilateral relationship, such as intensifying US—China rivalry, will affect New Zealand.

Examining how New Zealand's foreign policy and relations with great powers have evolved, especially in the past two decades, illustrates how this strategic triangle affects New Zealand's foreign policy. After World War II, the signing of the Australia–New Zealand–United States (ANZUS) Treaty committed the three states to the defense of the other treaty partners, with the United States emerging as New Zealand's security guarantor. In the defense-security sphere, New Zealand further entrenched itself with the United States and its allies by joining the Five Eyes intelligence sharing network along with the United Kingdom, Canada, and Australia in 1956. However, the New Zealand–US relationship was severely strained when Wellington adopted a nuclear–free policy that opposed nuclear

<sup>&</sup>lt;sup>3</sup> Avery Goldstein, "US–China Rivalry in the twenty-first century: Déjà vu and Cold War II," *China International Strategy Review* 2, no. 1 (2020), 48–62, <a href="https://doi.org/">https://doi.org/</a>; Pascale Massot, "Global order, US–China relations, and Chinese behaviour: The ground is shifting, Canada must adjust," *International Journal* 74, no. 4 (2019): 600–11, <a href="https://doi.org/">https://doi.org/</a>; and Stewart Patrick, "The World Order Is Starting to Crack," *Foreign Policy*, 25 July 2018, <a href="https://foreignpolicy.com/">https://foreignpolicy.com/</a>.

<sup>&</sup>lt;sup>4</sup> Nicholas Khoo, Germana Nicklin, and Alexander C. Tan, *Indo-Pacific Security: US-China Rivalry and Regional States' Responses* (London: World Scientific Publishing, 2024), 1–7.

<sup>&</sup>lt;sup>5</sup> Nicholas Ross Smith and Bonnie Holster, ""New Zealand's 'Maori foreign policy' and China: a case of instrumental relationality?," *International Affairs* 99, no. 4 (July 2023): 1575–93, https://academic.oup.com/.

<sup>&</sup>lt;sup>6</sup> Reuben Steff, "Our region is now a strategic theatre': New Zealand's balancing response to China," *Pacific Review* 37, no. 6 (2024): 1120–51, https://doi.org/; and Jason Young, "Seeking ontological security through the rise of China: New Zealand as a small trading nation," *Pacific Review* 30, no. 4 (2017): 513–30, https://doi.org/.

<sup>&</sup>lt;sup>7</sup> Reuben Steff and Francesca Dodd-Parr, "Examining the immanent dilemma of small states in the Asia-Pacific: the strategic triangle between New Zealand, the US and China," *Pacific Review* 32, no. 1 (2019): 90–112, https://doi.org/.

<sup>&</sup>lt;sup>8</sup> US Department of State, "The Australia, New Zealand and United States Security Treaty (ANZUS Treaty), 1951," https://history.state.gov/.

<sup>&</sup>lt;sup>9</sup> Toby Manhire, "New Zealand spying on Pacific allies for 'Five Eyes' and NSA, Snowden files show," *The Guardian*, 5 March 2015, https://www.theguardian.com/.

weapons testing in the South Pacific and refused entry to nuclear-powered naval vessels into New Zealand's territorial waters. <sup>10</sup> Subsequently, Washington suspended its security guarantees to New Zealand under ANZUS and downgraded New Zealand from an ally to a "friend" in 1985 since New Zealand's nuclear-free policy directly clashed with Washington's strategic interests in the South Pacific. 11 New Zealand was excluded from high-level military and naval exercises hosted by the United States, and cooperation in the defense-security sphere was frozen for 10 years. <sup>12</sup> Relations remained distant under Labour Prime Minister Helen Clark, who refused to be a part of the "coalition of the willing" and did not join the invasion of Iraq since Washington's military invasion did not have the backing of the UN Security Council.<sup>13</sup>

However, some limited cooperation in the defense-security sphere re-emerged in the 1990s. New Zealand contributed troops during the Gulf War in 1991 and was part of multilateral UN peacekeeping missions. <sup>14</sup> Despite Prime Minister Clark's decision not to join the US invasion of Iraq in 2003, New Zealand deployed 61 Defence Force (NZDF) army engineers to Iraq in 2003 in noncombat roles, primarily to help with reconstruction efforts. 15 As part of the global response to the September 11 attacks, New Zealand deployed over 3,500 defense personnel in Afghanistan to support North Atlantic Treaty Organization (NATO) and US efforts over a 15-year period.<sup>16</sup>

These developments under Helen Clark paved the way for the conservative National Party's John Key to tilt New Zealand's security alignment more toward the United States when he became prime minister in 2008.<sup>17</sup> Under Key, New Zealand and the US signed several documents, such as the Wellington Declaration in 2010 and the Washington Declaration in 2012. 18 These aimed to normalize the

<sup>10</sup> James McCormick, "Healing the American Rift with New Zealand," Pacific Affairs 68, no. 3 (Autumn 1995): 392-410, https://www.jstor.org/.

<sup>&</sup>lt;sup>11</sup> Stephen Hoadley, New Zealand United States Relations (Wellington: New Zealand Institute of International Affairs, 2016).

<sup>&</sup>lt;sup>12</sup> Ken Ross, "New Zealand prime ministers—at the White House," New Zealand International Review 40, no. 2 (March/April 2015): 18-21, https://www.jstor.org/.

<sup>&</sup>lt;sup>13</sup> David McCraw, "New Zealand Foreign Policy under the Clark Government: High Tide of Liberal Internationalism?," Pacific Affairs 78, no. 2 (Summer 2005): 217–35, https://doi.org/.

<sup>&</sup>lt;sup>14</sup>Tom Tuke, "Flying into the smoke of the Gulf War," New Zealand Defence Force, 15 January 2021, https:// www.nzdf.mil.nz/.

<sup>&</sup>lt;sup>15</sup> Geoffrey Miller, "New Zealand's Middle East Strategy, 20 Years After the Iraq War," *The Diplomat*, 20 March 2023, https://thediplomat.com/.

<sup>&</sup>lt;sup>16</sup> "New Zealand's 15-year role in Iraq," Radio New Zealand, 7 October 2015, https://www.rnz.co.nz/.

<sup>&</sup>lt;sup>17</sup> Steff, "Our region is now a strategic theatre'," 8.

<sup>&</sup>lt;sup>18</sup> Ken Ross, "John Key's global diplomacy," New Zealand International Review 42, no. 3 (May/June 2017): 22-25, https://www.jstor.org/.

New Zealand–US relationship and elevate New Zealand's strategic partnership with the United States. <sup>19</sup> Military cooperation increased, with New Zealand invited to participate in the Rim of the Pacific (RIMPAC) exercise with the US Navy in 2012. High-level exchanges between military personnel resumed after being frozen following the ANZUS suspension. <sup>20</sup> In 2016, a US Navy destroyer visited New Zealand for the first time in 36 years. <sup>21</sup>

Relations in the defense-security sphere continued to grow when the Labour Party's Jacinda Ardern was elected prime minister in 2017.<sup>22</sup> Under Ardern, the United States remained the largest supplier of arms to New Zealand, which bought four P8 Poseidon aircraft from the United States.<sup>23</sup> Other developments under Key and Ardern, such as cooperation in space and New Zealand being invited by the United States to join the Command Space Operations, cemented New Zealand–US relations in the defense-security sphere.<sup>24</sup> In a bilateral meeting with US President Joe Biden at the White House, Ardern and Biden reaffirmed the US–New Zealand strategic partnership and highlighted other areas for cooperation, such as working with Pacific Island Countries (PIC), in a joint statement during Ardern's visit to the White House in 2022.<sup>25</sup>

This improvement in New Zealand's relationship with the United States coincides with a period wherein New Zealand also forged closer relations with China.<sup>26</sup> The New Zealand–China relationship is characterized by a series of firsts.<sup>27</sup> In 1997, New Zealand became the first Western state to back China's accession to

<sup>&</sup>lt;sup>19</sup> Wayne Mapp, "John Key's Foreign Policy Legacy," *Australian Outlook*, 7 December 2016, <a href="https://www.internationalaffairs.org.au/">https://www.internationalaffairs.org.au/</a>; and Steff and Dodd-Parr, "Examining the immanent dilemma," 107.

<sup>&</sup>lt;sup>20</sup> Audrey Young, "Navy's Pearl Harbour ban 'nothing new'—PM," New Zealand Herald, 3 July 2012, https://www.nzherald.co.nz/; and Steff, "Our region is now a strategic theatre'," 8.

<sup>&</sup>lt;sup>21</sup> Sam LaGrone, "Timelapse Video: U.S. Warship Visits New Zealand for First Time in 30 Years," USNI News, 20 November 2016, https://news.usni.org/.

<sup>&</sup>lt;sup>22</sup> Clifford A. Hart, "New Zealand and the Indo-Pacific: Adaptation to Changing Geopolitics," in *New Zealand's Foreign Policy under the Jacinda Ardern Government*, ed. Robert Patman et al. (London: World Scientific, 2024), 23–41.

<sup>&</sup>lt;sup>23</sup> Peter D. Wezeman et al., "Trends in International Arms Transfers, 2023," SIPRI Fact Sheet, March 2024, https://www.sipri.org/; "Boeing P-8A Poseidon," New Zealand Defence Force, 2024, https://www.nzdf.mil.nz/.

<sup>&</sup>lt;sup>24</sup> Ollie Neas, "Revealed: New Zealand's role in the new American war-fighting frontier – space," *The Spinoff*, 14 January 2020, https://thespinoff.co.nz/; and Robert Ayson, "Jacinda Ardern's foreign policy legacy," *The Interpreter*, 19 January 2023, https://www.lowyinstitute.org/.

<sup>&</sup>lt;sup>25</sup> "Remarks by President Biden and Prime Minister Jacinda Ardern of New Zealand before Bilateral Meeting" (remarks, The White House, 31 May 2022), <a href="https://www.whitehouse.gov/">https://www.whitehouse.gov/</a>.

<sup>&</sup>lt;sup>26</sup> Steff, "'Our region is now a strategic theatre'," 7.

<sup>&</sup>lt;sup>27</sup> Wang Yushen, "Five 'firsts' in nearly half a century of China-New Zealand ties," *CGTN*, 2 April 2019, https://news.cgtn.com/.

the World Trade Organization (WTO).<sup>28</sup> In 2004, New Zealand was the first Western country to designate China as a market economy.<sup>29</sup> The most significant development occurred in 2008 when New Zealand signed a free trade agreement (FTA) with China.<sup>30</sup> This was followed by New Zealand becoming the first Western state to join the Asian Infrastructure and Investment Bank (AIIB) in 2015. New Zealand was also the first Western country to sign a memorandum of understanding with China on its flagship Belt and Road Initiative (BRI) in 2017.<sup>31</sup>

Although New Zealand–China cooperation on the AIIB and the BRI never resulted in anything concrete, the New Zealand–China FTA in 2008 has led to China emerging as New Zealand's largest trading partner. In 2008, the Chinese market accounted for only 5.8 percent of New Zealand exports. After the signing of the FTA, this figure rose to 27.7 percent in 2020.<sup>32</sup> Not only has China become New Zealand's largest trading partner, but New Zealand also enjoys a trade surplus with China. For instance, in 2021, New Zealand's total exports of goods and services to China were valued at NZD 21.45 billion, while New Zealand's imports from China were valued at NZD 16.26 billion.<sup>33</sup> In 2021, New Zealand therefore had a trade surplus with China of NZD 5.19 billion.

However, this strategy of forging close ties with both the United States and China is becoming difficult for New Zealand to execute as the bilateral relationships within the NZ–US–China strategic triangle have changed over the past decade. As US–China strategic competition intensifies, differences between New Zealand and China on various issues—from the Taiwan Strait to human rights violations in Xinjiang and China's conduct in the South China Sea—have emerged in recent years.<sup>34</sup> New Zealand's difficulty in walking the middle path is illustrated by criticism from Western security partners for not speaking out on China's coercive foreign policy actions, while also upsetting China by publicly confronting it on issues of disagreement. For instance, New Zealand was labeled a "weak link"

<sup>&</sup>lt;sup>28</sup> "China to join the World Trade Organisation" (press release, New Zealand Government, 18 September 2001), https://www.beehive.govt.nz/.

<sup>&</sup>lt;sup>29</sup> Boyka Stefanova and Paskal Zhelev, "Revisiting China's market economy status: state capitalism within the WTO liberal trading system," *Australia and New Zealand Journal of European Studies* 14, no. 2 (September 2022): 94–111, https://mpra.ub.uni-muenchen.de/.

<sup>&</sup>lt;sup>30</sup> "Free Trade Agreement between the Government of New Zealand and the Government of the People's Republic of China," *UNCTAD*, 1 October 2008, https://investmentpolicy.unctad.org/.

<sup>31</sup> Wang, "Five 'firsts' in nearly half a century."

<sup>&</sup>lt;sup>32</sup> "Key facts on New Zealand-China trade" (fact sheet, Ministry of Foreign Affairs and Trade, 2024), https://www.mfat.govt.nz/.

<sup>33 &</sup>quot;New Zealand International Trade," Stats NZ, 2024, https://statisticsnz.shinyapps.io/.

<sup>&</sup>lt;sup>34</sup> Nicholas Khoo, "Talk of a new Cold War is overheated—but NZ faces complex challenges in the era of 'strategic competition'," *The Conversation*, 29 August 2023, https://theconversation.com/.

for not joining the other Five Eyes countries in criticizing China's actions in Xinjiang in a 2021 joint statement.<sup>35</sup> New Zealand has been accused of being too soft and too scared of confronting China, prioritizing economic interests over moral values such as adherence to the rules-based international order and human rights, earning the label of a "good international citizen."<sup>36</sup>

On the other hand, Wellington has faced Beijing's ire and upset China on multiple occasions. For instance, Beijing accused New Zealand of being a mouthpiece for its Western allies when Australia and New Zealand released a joint statement voicing concerns about China's actions in Xinjiang and Hong Kong.<sup>37</sup> Similarly, the Chinese embassy in Wellington stated that New Zealand should give up its "Cold War mentality" when New Zealand publicly called out China for being a source of cyberattacks affecting New Zealand.<sup>38</sup> More recently, when New Zealand Foreign Minister Winston Peters called out China over its security presence in the South Pacific, the Chinese embassy in Wellington rebuked New Zealand and urged it to stop using "megaphone diplomacy."<sup>39</sup>

After the election of a National Party-led right-leaning government in 2023, several observers and scholars called for New Zealand to take a more robust stance against China. Winston Peters was reappointed as foreign minister after the National Party-led coalition government came to power in 2023. Peters, a longtime advocate of strong New Zealand–US relations, stated that he aims to move New Zealand closer to the United States and other Five Eyes partners. <sup>40</sup> After being elected prime minister, the National Party's leader Christopher Luxon visited

<sup>&</sup>lt;sup>35</sup> Patrick Wintour, "New Zealand's stance on China has deep implications for the Five Eyes alliance," *The Guardian*, 23 April 2021, https://www.theguardian.com/.

<sup>&</sup>lt;sup>36</sup> Latika Bourke, "Jacinda Ardern savaged as British Parliament declares treatment of Uighurs 'genocide'," *Sydney Morning Herald*, 23 April 2021, <a href="https://www.smh.com.au/">https://www.smh.com.au/</a>; Jamie Ensor, "New Zealand not too scared to call out China, Prime Minister Christopher Luxon says," *Newshub*, 12 December 2023, <a href="https://www.newshub.co.nz/">https://www.newshub.co.nz/</a>; Terence O'Brien, "New Zealand foreign policy: the importance of reputation," *New Zealand International Review* 38, no. 5 (September 2013): 20–23, <a href="https://search.informit.org/">https://search.informit.org/</a>; and Young, "Seeking ontological security through the rise of China," 527.

<sup>&</sup>lt;sup>37</sup> "Response to Media Query by Spokesperson of Chinese Embassy in New Zealand on the Joint Statement on Xinjiang by New Zealand and Australia" (press release, The Embassy of the People's Republic of China in New Zealand, 2021), <a href="http://www.chinaembassy.org.nz/">http://www.chinaembassy.org.nz/</a>.

<sup>&</sup>lt;sup>38</sup> Tess McClure, "New Zealand and China clash after west condemns 'malicious' cyber activity," *The Guardian*, 20 July 2021, https://www.theguardian.com/.

<sup>&</sup>lt;sup>39</sup> Sylvie Zhuang, "Stop megaphone diplomacy, China urges New Zealand after Winston Peters raises Pacific security worries," *South China Morning Post*, 5 May 2024, https://www.scmp.com/.

<sup>&</sup>lt;sup>40</sup> Alasdair Pal, "New Zealand foreign minister seeks closer ties with Five Eyes powers," *Reuters*, 11 December 2023, https://www.reuters.com/.

Australia on his first official overseas trip and stated that Australia and New Zealand would seek to deepen their cooperation in the defense-security sphere.<sup>41</sup>

The current National-led government has taken measures to move New Zealand closer to the United States and its Five Eyes partners in the defense-security sphere. The government continued the previous administration's practice of attending annual NATO summits, with Prime Minister Luxon leading New Zealand's delegation to the NATO summit in 2024.<sup>42</sup> This marks the third consecutive year that New Zealand has been invited, along with Australia, South Korea, and Japan, to attend NATO summits.<sup>43</sup> New Zealand's current defense minister, Judith Collins, has met her American and British counterparts on multiple occasions. New Zealand has joined several initiatives, such as the New Zealand Defence Force (NZDF) participating in the US-led deployment in the Red Sea, the US-led multinational space initiative Operation Olympic Defender, and the United Kingdom's Bletchley Declaration on Artificial Intelligence (AI) Safety. 44 In September 2024, a New Zealand Navy vessel passed through the Taiwan Strait with an Australian Naval vessel for the first time since 2017. 45 The government has also stated that other multilateral arrangements led by these traditional partners, such as the Quadrilateral Security Dialogue (Quad), "contribute to peace, security, and prosperity in the Indo-Pacific." It is argued that the Luxon government is developing a more consistent view on joining Pillar II of the Australia-United Kingdom-United States (AUKUS) trilateral arrangement, a departure from the previous Labour government, which was more cautious in its views on AUKUS.<sup>47</sup>

Apart from shared history, the role of values and principles has also been highlighted by the current government as a key factor influencing closer alignment with the United States and its allies in the defense-security sphere. In a 2024 joint

<sup>&</sup>lt;sup>41</sup> Lillian Hanly, "First official leaders' meeting between Luxon and Albanese amid AUKUS questions," *Radio New Zealand*, 15 August 2024, <a href="https://www.rnz.co.nz/">https://www.rnz.co.nz/</a>.

<sup>&</sup>lt;sup>42</sup> Geoffrey Miller, "New Zealand Forges Deeper Ties with NATO," *The Diplomat*, 11 July 2024, <a href="https://thediplomat.com/">https://thediplomat.com/</a>.

<sup>&</sup>lt;sup>43</sup> "Relations with partners in the Indo-Pacific region," *North Atlantic Treaty Organization*, 16 July 2024, https://www.nato.int/.

<sup>&</sup>lt;sup>44</sup> "NZDF's Red Sea deployment extended" (press release, Ministry of Foreign Affairs, 12 July 2024), <a href="https://www.beehive.govt.nz/">https://www.beehive.govt.nz/</a>; "New Zealand to join Operation Olympic Defender" (press release, Ministry of Defence, 5 September 2024), <a href="https://www.beehive.govt.nz/">https://www.beehive.govt.nz/</a>; and "NZ joins UK initiative for AI safety" (press release, Ministry of Defence, 23 October 2024), <a href="https://www.beehive.govt.nz/">https://www.beehive.govt.nz/</a>.

<sup>&</sup>lt;sup>45</sup> Niva Chittock, "NZ naval vessel sailing through Taiwan Strait 'routine movement'—Defence Minister," *Radio New Zealand*, 27 September 2024, https://www.rnz.co.nz/.

<sup>&</sup>lt;sup>46</sup> Antony J. Blinken and Winston Peters "Joint US and NZ declaration" (joint statement, Ministry of Foreign Affairs, 12 April 2024), https://www.beehive.govt.nz/.

<sup>&</sup>lt;sup>47</sup> Kathryn Paik, "The Geopolitical Promise of New Zealand's Conservative Swing," *Center for Strategic and International Studies*, 16 January 2024, https://www.csis.org/.

US–NZ Declaration, Foreign Minister Peters highlighted some of these shared values and principles, such as "rule of law, democracy, human rights," as well as "freedom of navigation, the peaceful settlement of disputes, and respect for sovereignty and internationally agreed-upon rules and norms." A commitment to the rules-based international order and democratic values, partly emerging from its identity as a liberal democracy that was a British settler state, drives New Zealand to continue to be seen as a good global citizen. These shared values also influence how the New Zealand public perceives its relations with the United States and its allies. For instance, James Headley and Andreas Reitzig noted that this aspect of shared values resulted in the New Zealand public perceiving Australia in a positive light, with more than 45 percent of respondents favoring closer defense ties with Australia.

As Brian Roper notes, several recent realist analyses, largely anti-China, have called for New Zealand to take a clearer stance by forging closer ties with the United States. For these observers, the current conservative National Party-led government, positioning Wellington closer to Washington and Canberra while aiding Washington's strategic objectives of containing China in the Pacific, presents an opportune moment for the country to fully reposition its foreign policy and take a definitive pro-US stance through measures such as joining Pillar II of AUKUS. One study even argues that New Zealand has become "the latest country to pivot" toward the United States and that, due to Beijing's "bullying" tactics and the ideological leanings of its current government, Wellington is being pushed into "Washington's welcoming arms." Sa

Considering these developments, the question arises: How likely is it that New Zealand will change its existing hedging strategy and adopt a more active pro-US stance? To answer this, the costs and benefits New Zealand will incur if it moves away from its hedging strategy are assessed using an expected utility model. Examining the concept of economic security is crucial to gain a more comprehensive

<sup>&</sup>lt;sup>48</sup> Blinken and Peters, "Joint US and NZ declaration."

<sup>&</sup>lt;sup>49</sup> Terence O'Brien, "New Zealand foreign policy," 20–23; and James Headley and Andreas Reitzig, "Does foreign policy represent the views of the public? Assessing public and elite opinion on New Zealand's foreign policy," Australian *Journal of International Affairs* 66, no. 1 (2012): 70–89, <a href="https://doi.org/">https://doi.org/</a>.

<sup>&</sup>lt;sup>50</sup> Headley and Reitzig, "Does foreign policy represent the views," 77.

<sup>&</sup>lt;sup>51</sup> Brian S. Roper, "China's rise and the United States' response: implications for the global order and New Zealand/Aotearoa. Part II: The US response, emergence of a multi-polar order, and New Zealand/Aotearoa foreign policy-making," *Kōtuitui: New Zealand Journal of Social Sciences Online* (2024): 1–11, https://doi.org/.

<sup>&</sup>lt;sup>52</sup> Guy C. Charlot and Xiang Gao, "Re-Thinking New Zealand's Independent Foreign Policy," *The Diplomat*, 14 June 2024, https://thediplomat.com/.

<sup>&</sup>lt;sup>53</sup> Derek Grossman, "New Zealand Becomes the Latest Country to Pivot to the U.S.," *Foreign Policy*, 23 April 2024, https://foreignpolicy.com/.

understanding of New Zealand's grand strategy. In the short term, New Zealand will incur high costs if it moves away from its hedging strategy, as it has limited options to ensure its own economic security. New Zealand's domestic political economy, specifically its status as an exporter of primary sector products with high substitutability and the lack of a domestic manufacturing sector, further limits its ability to ensure its own economic security. Consequently, this limits New Zealand's ability to adopt a more overt and active pro-US stance in the short term, as China will continue to be an indispensable trading partner during this period.

The remainder of this article is structured as follows: The next section examines New Zealand's asymmetrical hedging strategy. An expected utility model is then proposed to provide a theoretical framework through which New Zealand's decision-making calculus can be analyzed. Following this, the likelihood of a move away from the existing hedging strategy and the costs New Zealand would incur from such a move are examined. The final section concludes.

#### New Zealand's Hedging Strategy

Small states like New Zealand face three strategic choices when confronted by a threatening or rising power: balancing, bandwagoning, or hedging.<sup>54</sup> Balancing safeguards their autonomy and security against a "menacing state," achieved through an internal military build-up or by forming external security alliances.<sup>55</sup> Alternatively, small states may choose to bandwagon by aligning with the rising power, avoiding actions that contradict or harm the rising power's strategic interests.<sup>56</sup> By doing so, the small state aims to avoid harm and sometimes "gain a profit." 57

However, both balancing and bandwagoning have costs and consequences. A small state that bandwagons may lose autonomy due to the dominant position of

<sup>&</sup>lt;sup>54</sup> Baldur Thorhallsson, Sverrir Steinsson, and Thorsteinn Kristinsson, "The Small State in International Relations," in Small States and Shelter Theory: Iceland's External Affairs, ed. Baldur Thorhallsson (London: Routledge, 2018), 1-17; T.Y. Wang and Alexander C. Tan, "Balancing, bandwagoning or hedging: Taiwan's strategic choices in the era of a rising China," Political Science 73, no. 1 (2021): 66-84, https://doi.org/; and Patrick, Köllner, "Australia and New Zealand recalibrate their China policies: convergence and divergence," Pacific Review 34, no. 3 (2021): 405-36, https://doi.org/.

<sup>55</sup> Wang and Tan, "Balancing, Bandwagoning or Hedging," 69; and Kirsten Williams, Steve Lobell, and Neal Jesse, eds., Beyond Great Powers and Hegemons: Why Secondary States Support, Follow, or Challenge (Palo Alto, CA: Stanford University Press, 2012).

<sup>&</sup>lt;sup>56</sup> Stephen M. Walt, "Alliance Formation and the Balance of World Power," *International Security* 9, no. 4 (Spring 1985): 3-43, https://doi.org/.

<sup>&</sup>lt;sup>57</sup> Wang and Tan, "Balancing, Bandwagoning or Hedging," 67.

the rising power.<sup>58</sup> Engaging in external balancing may expose states to the dangers of *entrapment* or *abandonment*, while internal balancing can incur significant costs.<sup>59</sup>

The third strategy, hedging, combines elements of both balancing and bandwagoning to reduce the risks and costs associated with adopting a pure bandwagoning strategy. Hedging allows small states to counter "the threatening power through strengthening its own defence and/or forming an alliance with other countries while at the same time engaging with the menacing state. Scholars offer various definitions and characteristics of *hedging*, using it as an umbrella term to describe a wide variety of state actions. For small states, *hedging* is a strategy to "cultivate a middle position that forestalls or avoids having to choose one side at the obvious expense of another."

According to Cheng-Chwee Kuik, strategic behavior by small states requires three key elements to qualify as hedging.<sup>64</sup> First, states must insist on not taking sides among competing powers and avoid fully aligning their interests or support with another major power.<sup>65</sup> Second, states must adopt "opposite and counteracting measures." Finally, states must pursue the dual goals of preserving the gains acquired by hedging while planning for a fallback option using instruments such as opposite actions.<sup>66</sup>

<sup>&</sup>lt;sup>58</sup> Glenn H. Snyder, "The security dilemma in alliance politics," *World politics* 36, no. 4 (1984): 461–95, <a href="https://doi.org/">https://doi.org/</a>; Cheng-Chwee Kuik, "The Essence of Hedging: Malaysia and Singapore's Response to a Rising China," *Contemporary Southeast Asia: A Journal of International and Strategic Affairs* 30, no. 2 (August 2008): 159–85, <a href="https://muse.jhu.edu/">https://muse.jhu.edu/</a>; and Kei Koga, "The Concept of 'Hedging' Revisited: The Case of Japan's Foreign Policy Strategy in East Asia's Power Shift," *International Studies Review* 20, no. 4 (December 2018): 633–60, <a href="https://doi.org/">https://doi.org/</a>.

<sup>&</sup>lt;sup>59</sup> Wang and Tan, "Balancing, Bandwagoning or Hedging," 67; Steve Chan, "An Odd Thing Happened on the Way to Balancing: East Asian States' Reactions to China's Rise," *International Studies Review* 12, no. 3 (September 2010): 387–412, <a href="https://doi.org/">https://doi.org/</a>; and David C. Kang, "Hierarchy, Balancing, and Empirical Puzzles in Asian International Relations," *International Security* 28, no. 3 (Winter 2003/2004): 165–80, https://www.jstor.org/.

<sup>&</sup>lt;sup>60</sup> Denny Roy, "Southeast Asia and China: Balancing or Bandwagoning?," *Contemporary Southeast Asia* 27, no. 2 (August 2005): 305–22, https://www.jstor.org/; Kuik, "The Essence of Hedging," 163; and Koga, "The Concept of 'Hedging' Revisited," 642.

<sup>&</sup>lt;sup>61</sup> Wang and Tan, "Balancing, Bandwagoning or Hedging," 69.

<sup>&</sup>lt;sup>62</sup> Nicholas Ross Smith, "New Zealand's grand strategic options as the room for hedging continues to shrink," *Comparative Strategy* 41, no. 3 (2022): 314–27, https://doi.org/.

<sup>&</sup>lt;sup>63</sup> Evelyn Goh, "Meeting the China Challenge: The US in Southeast Asian Regional Security Strategies," *Policy Studies*, no. 16 (2005), 2, https://scholarspace.manoa.hawaii.edu/.

<sup>&</sup>lt;sup>64</sup> Cheng-Chwee Kuik, "How Do Weaker States Hedge?: Unpacking ASEAN States' Alignment Behavior towards China," Journal of Contemporary China 25, no. 100 (2016): 500–14, https://doi.org/.

<sup>65</sup> Kuik, "How Do Weaker States Hedge?," 504.

<sup>&</sup>lt;sup>66</sup> Yuen Foong Khong, "Coping with strategic uncertainty: The Role of Institutions and Soft Balancing in Southeast Asia's Post-Cold War Strategy," in *Rethinking Security in East Asia: Identity, Power, and Efficiency*, ed. J.J. Suh, Peter J. Katzenstein, and Allen Carlson (Stanford, CA: Stanford University Press, 2004), 109–29; and Kuik, "How Do Weak States Hedge?," 504.

Other factors or preconditions are needed to ensure successful hedging by small states. Small states need to adopt appropriate signaling measures, possess the right capabilities, and benefit from a favorable regional geopolitical environment and domestic political landscape. <sup>67</sup> Several small states have adopted a hedging strategy to manage relations with the two great powers in the Indo-Pacific, especially during a time of international uncertainty. For example, this uncertainty has led small Association of Southeast Asian Nations (ASEAN) states like Malaysia and Singapore to adopt hedging strategies that incorporate return-maximizing and risk-contingency options, along with developing fallback options.<sup>68</sup>

For these small states, a hedging strategy also legitimizes the political authority of ruling elites at home and addresses challenges posed by China's rise and the sharpening US-China strategic competition.<sup>69</sup> Several small states in the South Pacific, such as Fiji, Samoa, and Kiribati, have also adopted a hedging strategy due to enduring uncertainties from geostrategic competition between the United States and China in the region.<sup>70</sup> These PICs incorporate elements such as a return-maximizing strategy to enhance their developmental options in their hedging strategies.<sup>71</sup> It is crucial to note that there is significant variation in these hedging strategies since no two states or hedges are identical.<sup>72</sup>

In New Zealand's case, Nicholas Ross Smith argues that the country has pursued an asymmetrical hedging strategy to manage its relations with the United States and China. 73 According to Smith, asymmetrical hedging occurs when "the smaller power nominally (usually with regards security) aligns with one great power but does so in a way that is not exclusive to having relations (usually trade) with the other great power."<sup>74</sup> This strategy aims to "spread risk wide to mitigate potential calamity."<sup>75</sup>

<sup>&</sup>lt;sup>67</sup> Smith, "New Zealand's grand strategic options," 315; Darren J. Lim and Zack Cooper, "Reassessing Hedging: The Logic of Alignment in East Asia," Security Studies 24, no. 4 (2015): 696-727, https://doi.org/; Nikolas Vander Vennet and Mohammad Salman, "Strategic Hedging and Changes in Geopolitical Capabilities for Second-tier States," Chinese Political Science Review 4 (2019): 86-134, https://doi.org/; Hiep Le Hong, "Vietnam's Hedging Strategy against China since Normalization," Contemporary Southeast Asia 35, no. 3 (December 2013): 333–68, https://www.jstor.org/; Nicholas Ross Smith, "When Hedging Goes Wrong: Lessons from Ukraine's Failed Hedge of the EU and Russia," Global Policy 11, no. 5 (2020): 588-97, https://doi.org/.

<sup>&</sup>lt;sup>68</sup> Kuik, "How Do Weak States Hedge?," 512; and Kuik "The Essence Of Hedging, 159–85.

<sup>&</sup>lt;sup>69</sup> Kuik "The Essence Of Hedging," 183.

Ashika Bali, "Managing Growing Strategic Competition in the South Pacific: Hedging the Pacific Way" (thesis, Victoria University of Wellington, 2022), https://openaccess.wgtn.ac.nz/.

<sup>&</sup>lt;sup>71</sup> Meg Keen and Alan Tidwell, Geopolitics in the Pacific Islands: Playing for advantage (Sydney: Lowy Institute, January 2024), https://www.lowyinstitute.org/.

<sup>&</sup>lt;sup>72</sup> Smith, "New Zealand's Grand Strategic Options," 318.

<sup>&</sup>lt;sup>73</sup> Smith, "New Zealand's Grand Strategic Options," 315.

<sup>&</sup>lt;sup>74</sup> Smith, "New Zealand's Grand Strategic Options," 319; and Lim and Cooper, "Reassessing Hedging," 719.

<sup>75</sup> Smith, "New Zealand's Grand Strategic Options," 315

For at least the past decade and a half, New Zealand has been following this strategy and employing several "instruments," such as sending signals that convey "constructive ambiguity." Wellington has attempted to placate both sides, signing up for several if not all of Washington's security objectives in the region while relying heavily on New Zealand's trade relationship with China, focusing on measures like seeking to upgrade its FTA with China in 2019.77

Smith elaborates that New Zealand's asymmetric hedging differs from other kinds of hedging behavior, such as nonalignment, which other states may adopt. He notes that the strategy is "a less ambitious strategy than dual-aligned hedging, but it is certainly more ambitious than a nonaligned hedge as the smaller power is still trying to forge a middle ground whereby it reaps the benefits of alignment with one state but also the benefits of having cordial relations with the other." 78

Steff notes that New Zealand has adopted some components of a balancing strategy in the defense-security sphere.<sup>79</sup> However, he also notes that this balancing falls within the parameters of asymmetrical hedging and is part of New Zealand's asymmetric hedge.

Beyond the binary framing of hedging versus balancing with the US, New Zealand can deploy other strategies—such as *zigzagging* or *wedging*—wherein the larger players are played off against each other. So Smith notes that small states may use a zigzagging strategy to "maximize relations" with the power that is the "highest bidder" at the expense of the other power. For the small state, the aim of this zigzagging strategy is to secure a more favorable balancing or bandwagoning arrangement with the highest bidder. However, zigzagging is rare and extremely risky for small states since relations with the power that is the "lowest bidder" may completely

<sup>&</sup>lt;sup>76</sup> Smith, "New Zealand's Grand Strategic Options," 318–20; and Steff and Dodd-Parr, "Examining the immanent dilemma of small states," 106.

<sup>&</sup>lt;sup>77</sup> Smith, "New Zealand's Grand Strategic Options," 318–20; Steff and Dodd-Parr, "Examining the immanent dilemma of small states," 106; Reuben Steff, "The Biden Administration and New Zealand's Strategic Options: Asymmetric Hedging, Tight Five Eyes Alignment, and Armed Neutrality," *National Security Journal* 3, no. 2 (2021): 1–22, <a href="https://doi.org/">https://doi.org/</a>; Young, "Seeking Ontological Security through the Rise of China; and "China Free Trade Upgrade further boosts economic recovery" (press release, New Zealand Government, 7 April 2022), <a href="https://www.beehive.govt.nz/">https://www.beehive.govt.nz/</a>.

<sup>&</sup>lt;sup>78</sup> Smith, "New Zealand's Grand Strategic Options," 319.

<sup>&</sup>lt;sup>79</sup> Steff, "'Our region is now a strategic theatre'."

<sup>&</sup>lt;sup>80</sup> Steff, "'Our region is now a strategic theatre',"; and Smith, "New Zealand's Grand Strategic Options," 322–23.

<sup>81</sup> Smith, "New Zealand's Grand Strategic Options," 322–23.

<sup>&</sup>lt;sup>82</sup> Alexander Korolev, "Shrinking Room for Hedging: System-Unit Dynamics and Behavior of Smaller Powers," *International Relations of the Asia-Pacific* 19, no. 3 (September 2019), 419–52, <a href="https://doi.org/">https://doi.org/</a>.

break down. 83 These risks are further heightened if relations with the highest bidder sour in the long term. Hence, due to its nature as a "high risk, high reward" strategy, Smith argues that New Zealand is even less likely to adopt this zigzagging strategy than bandwagoning with China.84

#### **New Zealand Foreign Policy and Expected Utility**

How likely is it that New Zealand will move away from its hedging strategy and adopt a more pro-US stance? The emerging points of difference in the New Zealand-China relationship and the ideological leanings of its current government have sparked calls for New Zealand to re-examine its foreign policy and reassess its relationship with China.

The fracturing US-China relationship is adding pressure on New Zealand, as adversarial US-China relations shrink the room for New Zealand's asymmetrical hedging strategy.<sup>85</sup> Additionally, like balancing and bandwagoning, hedging also has costs, and policy makers must make decisions under conditions of uncertain outcomes.

To address these questions, Bueno de Mesquita's expected utility theory is adapted to New Zealand's strategic decisions. 86 Expected utility theory examines states' preferences concerning outcome uncertainty. It helps to understand how states make choices when policy makers are unsure about their decisions' outcomes.

Consider the following: As New Zealand (N) wades into the US-China rivalry, it effectively chooses whether to side with China (C) or the United States (A). If n represents New Zealand's capability, c represents China's capability, and a represents America's capability then  $\frac{c+n}{c+n+a}$  is the probability that C will win with N's help =  $P_{NC}$ and,  $\frac{n+a}{c+n+a}$  is the probability that A will win with N's help =  $P_{NA}$ . The expected utility for N if it sides with C can be represented by  $E(U_{NC})=P_{NC}U_C+(1-P_{NC})U_{NA}-K_{NC}$  [1].

Equation 1 indicates that the expected utility for New Zealand, if it sides with China, is the probability of China prevailing  $(P_{NC})$  multiplied by the satisfaction that New Zealand gains if China prevails ( $U_{NC}$ ), and the probability of America prevailing  $(1-P_{NC})$  multiplied by the 'satisfaction' New Zealand gains if America prevails  $(U_{NA})$ , minus the costs New Zealand bears for siding with China  $(K_{NC})$ .

<sup>&</sup>lt;sup>83</sup> David A. Scott, "Multipolarity, multilateralism and beyond...?: EU–China understandings of the international system," International Relations 27, no. 1 (2013): 30-51, https://doi.org/.

<sup>84</sup> Smith, "New Zealand's Grand Strategic Options," 322–23.

<sup>85</sup> Smith, "New Zealand's Grand Strategic Options," 322–23.

<sup>86</sup> Bruce Bueno de Mesquita, "A decision making model: Its structure and form," International Interactions 23, no. 3-4 (1997): 235-66, https://doi.org/; and Bruce Bueno de Mesquita, The War Trap (New Haven, CT: Yale University Press, 1983).

Conversely, the expected utility for New Zealand (N) if it decides to side with the US (A) is as follows:  $E(U_{NA})=P_{NA}U_{NA}+(1-P_{NA})U_{NC}-K_{NA}$  [2]. Combining equation 1 and equation 2 of New Zealand's decision calculus gives us the following:  $E(U_{NC})=P_{NC}U_{NC}+(1-P_{NC})U_{NA}-K_{NC}<>=E(U_{NA})=P_{NA}U_{NA}+(1-P_{NA})U_{NC}-K_{NA}$  [3].

It follows then that if  $E(U_{NC}) > E(U_{NA})$ , New Zealand will side with China. Conversely, it will side with the United States if  $E(U_{NC}) < (U_{NA})$ . If New Zealand's expected utility in siding with China is larger than its expected utility in siding with the US, it will side with China. Conversely, it will side with the United States if its expected utility from taking that action is higher than siding with China. If these two expected utilities are equal, New Zealand will decide to stay neutral. These statements are self-evident and illustrate that a country's decision to ally with another country boils down to the difference in the benefits it expects to gain and the costs it expects to incur.

To gain further insights into the decision calculus equation, rearrange the terms in equation 3. After simplifying, we find:  $(P_{NC}+P_{NA}-1)(U_{NC}-U_{NA})<>=K_{NC}-K_{NA}$  [4]. Noting that  $P_{NC}$  and  $P_{NA}$  are simply the probabilities of either China or the United States prevailing with New Zealand's assistance, we can simplify equation 4 further:  $\frac{n}{c+n+a}(U_{NC}-U_{NA})<>=K_{NC}-K_{NA}$  [5]. Here  $\frac{n}{c+n+a}$  represents the proportion of resources and capability that New Zealand can commit,  $U_{NC}-U_{NA}$  is New Zealand's differential motivation (or satisfaction) in siding with China or the United States, and  $K_{NC}-K_{NA}$  is the marginal difference in costs that New Zealand will incur in helping China or the United States.

With this rearrangement, some interesting observations emerge. Equation 5 shows that New Zealand's decision to side with China or the United States is influenced by the resources and capabilities it can or must "bring to the table" and the satisfaction or motivation it derives from one side prevailing over the other. These factors are weighed against the costs it will bear and incur from its action to side with either China or the United States.

Applying equation 5 from the expected utility theory to Wellington's foreign policy decisions provides rich insights into the decision calculus facing New Zealand's policy makers. Assuming that  $U_{NC} < U_{NA}$ , from the perspective of New Zealand–China relations, it suggests New Zealand derives less satisfaction from a stronger China prevailing. China's assertive responses to New Zealand's recent statements, which publicly confronted China about points of difference in their bilateral relationship, and the moves by New Zealand's current government to vocally address belligerent Chinese actions in the South Pacific support this assumption. A stronger China does not necessarily mean more peaceful New Zealand–China relations.

Comparing the left-hand side terms (capability and satisfaction/motivation) with the right-hand side terms (differential costs) reveals interesting insights into

New Zealand's decision calculus. Given the assumption that New Zealand is less satisfied with a stronger China, the differential satisfaction term is negative, making the left-hand side negative. If  $K_{NC}-K_{NA}>0$ , meaning the cost of supporting China is higher than the cost of supporting the United States, equation 5 suggests that New Zealand should side with America. If  $K_{NC}-K_{NA}=0$ , meaning the cost of supporting either side is equally high, it makes sense for New Zealand to develop closer ties with the United States. However, if  $K_{NC}-K_{NA}<0$ , meaning the cost of supporting the United States is clearly higher than supporting China, New Zealand will likely remain neutral or noncommittal to both sides. These observations illustrate how New Zealand's decision to ally with another country hinges on the differences in benefits it expects to gain and the costs it expects to incur.

From the expected utility framework, two of the three scenarios suggest that New Zealand should develop closer ties with America. In the third scenario, where the relative cost of supporting America is higher compared to China, New Zealand remains noncommittal to both sides and is unlikely to support China due to lower satisfaction with a stronger China. The current state of New Zealand–US relations and the calls for New Zealand to adopt a more overt pro-US stance indicate that the first scenario  $K_{NC}$ – $K_{NA}$ >0, is what New Zealand should pursue. However, New Zealand's current stance suggests that Wellington's assessments of the costs and benefits align with the third scenario  $(K_{NC}-K_{NA}<0)$  of remaining neutral and staying out of the fray.

Examining the costs associated with each of these scenarios provides insights into New Zealand's decision-making process. The expected utility model and equation 5 indicate that the costs associated with a shift in New Zealand's foreign policy posture  $(K_{NC}-K_{NA})$  should determine whether New Zealand moves away from its hedging strategy and adopts a more active pro-US stance. If New Zealand decides to abandon its current hedging strategy, it must find a way to lower the costs associated with such a move  $(K_{NC}-K_{NA})$  and increase the benefits of adopting a more pro-US strategy. If New Zealand cannot lower the costs and increase the benefits of changing its strategy, the expected utility model suggests that New Zealand has little to gain from such a shift.

#### Economic Security and New Zealand's Grand Strategy

The expected utility framework outlined above illustrates that New Zealand must consider the costs and benefits of moving away from its current strategy and adopting a more overt pro-US stance in its foreign policy. One way to examine these costs is to define what constitutes security for New Zealand and understand its perception of the concept.

Various scholars have offered different definitions of security, and the concept has been intensely debated over the years. <sup>87</sup> As Barry Buzan notes, security is an "essentially contested concept" characterized by "unsolvable debates about its meaning and application." <sup>88</sup> In the post-Cold War era, the debate about what constituents security widened to include nonmilitary threats to the state. <sup>89</sup> This represented a shift from the Cold War years, where the conceptualization of security was narrow, focusing on the state and military threats in a bipolar system dominated by the United States and the Soviet Union. <sup>90</sup>

Some of these traditional security challenges, centering on predominantly military threats as envisioned during the Cold War, still influence New Zealand's strategic thinking. Recent statements by the New Zealand government indicate that its strategic thinking is partly shaped by the evolving geostrategic environment in the Indo-Pacific and the security challenges faced by states in the region. The 2023 Strategic Foreign Policy Assessment by the New Zealand Ministry of Foreign Affairs and Trade highlights challenges such as North Korean nuclear missile tests, China's aggressive moves against the Philippines in the South China Sea (SCS), and the militarization of artificial islands in the SCS. 91 Additionally, New Zealand has expressed deep concern over the growing tensions across the Taiwan Strait in recent years. 92

However, the expansion of the security debate after the Cold War introduced other forms of security, such as environmental and economic security, along with

<sup>&</sup>lt;sup>87</sup> Arnold Wolfers, "National Security as an Ambiguous Symbol," *Political Science Quarterly* 67, no. 4 (December 1952), 483, <a href="https://doi.org/">https://doi.org/</a>; Helga Haftendorn, "The Security Puzzle: Theory-building and Discipline-building in International Security," *International studies quarterly* 35, no. 1 (March 1991), 3–17, <a href="https://doi.org/">https://doi.org/</a>; and Swatilekha Bhattacharya, "Explaining The Conceptualisation Of Security In Mainstream International Relations Theory," *Indian Journal of Political Science* 77, no. 1 (2016): 77–84, <a href="https://www.jstor.org/">https://www.jstor.org/</a>.

<sup>&</sup>lt;sup>88</sup> Barry Buzan, *People, States and Fear: An Agenda for International Security Studies in the Post-Cold War Era* (New York: Harvester Wheatsheaf, 1991), 7.

<sup>&</sup>lt;sup>89</sup> Barry Buzan, Ole Wæver, and Jaap De Wilde, *Security: A New Framework for Analysis* (London: Lynne Rienner Publishers, 1998), 2.

<sup>&</sup>lt;sup>90</sup> Holger Stritzel, Security in Translation: Securitization Theory and the Localization of Threat (London: Springer, 2014).

<sup>&</sup>lt;sup>91</sup> 2023 Strategic Foreign Policy Assessment (Wellington: Ministry of Foreign Affairs and Trade, 10 July 2023), <a href="https://www.mfat.govt.nz/">https://www.mfat.govt.nz/</a>; and Carla Teng, "On The Radar: New Zealand Expresses Criticism of China's Actions in the South China Sea," Asia Media Centre, 27 March 2024, <a href="https://www.asiamediacentre.org.nz/">https://www.asiamediacentre.org.nz/</a>.

<sup>&</sup>lt;sup>92</sup> Winston Peters, "Speech to New Zealand China Council" (speech, Ministry of Foreign Affairs, 3 May 2024), https://www.beehive.govt.nz/.

variables like culture, identity, and domestic determinants. 93 Consequently, economic security was conceptualized as an examination of "trade, production and finance," a concept that has "preoccupied national governments, in Asia and elsewhere, when economic shocks have been so unexpected and severe that existing social and political arrangements appear threatened."94

These additional elements of security, along with traditional military-related concepts, have shaped New Zealand's strategic thinking over the years. Jason Young argues that economic security has always been pivotal in New Zealand's foreign policy due to its position as a "small, externally reliant and vulnerable economy with a tiny domestic market that limits economies of scale and the state's ability to shape trade or economic relations with larger economies."95 Concerns over New Zealand's status as a "trading nation" have influenced policy makers since the 1930s. 96

These concerns heightened in the 1970s when New Zealand lost its free trade access to the British market after the United Kingdom joined the European Economic Community (EEC) in 1973. 97 As a consequence of the "loss of Britain," trade became the primary basis for New Zealand's engagement with other states. 98 The emphasis on trade and economic security was so pronounced that former Prime Minister Robert Muldoon proclaimed, "Our foreign policy is trade. We are not interested in the normal foreign policy matters to any great extent. We are interested in trade."99

In the 1980s and 1990s, New Zealand's engagement with Asian countries was shaped by its position as a small trade-dependent nation seeking the security of liberal trade arrangements and the quest of its policy makers to ensure the country's economic security. 100 Crucially, New Zealand's approach to China has been shaped by a similar perception of its own economic vulnerability, and New Zealand policy

<sup>&</sup>lt;sup>93</sup> Buzan, Wæver, and De Wilde, *Security*; Michael C. Williams, "Words, Images, Enemies: Securitization and International Politics," International Studies Quarterly 47, no. 4 (December 2003): 511-31, https://doi .org/; and Holger Stritzel, "Towards a Theory of Securitization: Copenhagen and Beyond," European Journal of International Relations 13, no. 3 (2007): 357-83, https://doi.org/.

<sup>&</sup>lt;sup>94</sup> Buzan, Wæver, and De Wilde, Security, 7; and Miles Kahler, "Economic security in an era of globalization: definition and provision," Pacific Review 17, no. 4 (2004), 486, https://doi.org/.

<sup>&</sup>lt;sup>95</sup> Young, "Seeking Ontological Security through the Rise of China," 516.

<sup>&</sup>lt;sup>96</sup> Young, "Seeking Ontological Security through the Rise of China," 516.

<sup>97</sup> Chris Rudd and Brian Roper, The Political Economy of New Zealand (Auckland: Oxford University Press,

<sup>98</sup> Malcolm McKinnon, Independence and Foreign Policy: New Zealand in the World Since 1935 (Auckland: Auckland University Press, 1993).

<sup>99</sup> Cited in Derek Round, "Our Foreign Policy Is Trade," New Zealand International Review 5, no. 1 (January-February 1980), 3.

<sup>&</sup>lt;sup>100</sup> Young, "Seeking Ontological Security through the Rise of China," 520.

makers have viewed "China's rise as part of an effort to seek ontological security as a small trading nation." <sup>101</sup>

The significance of economic security in New Zealand's perception of its overall security becomes more evident when considering its geographical distance from other major powers and conflicts. Surrounded by ocean, New Zealand has never had to defend itself from a direct invasion or attack, unlike neighboring Australia, which experienced Japanese bombings during World War II. <sup>102</sup> A New Zealand diplomat once summarized these differences by stating, "Australia felt itself to be strategically vulnerable but economically strong, whereas New Zealand felt strategically secure but economically insecure." <sup>103</sup>

The historical absence of a physical threat from a hostile power, combined with experiences of economic shocks and vulnerabilities, highlights that economic security is as crucial as geostrategic or military security in New Zealand's security perception. Therefore, when considering the costs of a strategy change, New Zealand policy makers must account for economic security costs, given the significant role this factor plays in Wellington's conceptualization of security.

Considering current trade patterns, it is unsurprising that New Zealand policy makers have adopted an asymmetric hedging strategy. China has been New Zealand's largest trading partner since 2012, with over NZD 20-billion worth of goods headed for the Chinese market in 2022 (fig. 1). In contrast, New Zealand's combined trade with Japan, the United States, and Australia was still less than its trade with China in 2022. This economic relationship with China and concerns about economic security explain why Wellington has maintained its asymmetric hedging strategy, adhering to the third scenario in the model ( $K_{NC}$ – $K_{NM}$ <0).

<sup>&</sup>lt;sup>101</sup> Young, "Seeking Ontological Security through the Rise of China," 526.

<sup>&</sup>lt;sup>102</sup> Young, "Seeking Ontological Security through the Rise of China," 527; and Alexander Downer, "Australia–Japan relation," *Australian Journal of International Affairs* 60, no. 4 (2006): 487–88, <a href="https://doi.org/">https://doi.org/</a>.

<sup>&</sup>lt;sup>103</sup> Rosemary Banks, "Jumping on Lord Palmerston's Grave: New Zealand's Enduring Alliances and Security Partnerships," *Kwentuhan*, 3 October 2023, https://www.indopac.nz/.

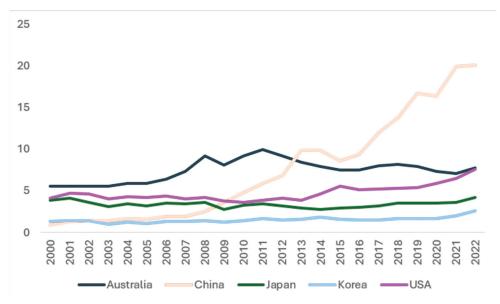


Figure 1. New Zealand Goods Exports to top markets (NZ\$ billions). (Source: Compiled by authors using data from Stats NZ and the New Zealand China Council.)

The debate around economic security has re-emerged in the aftermath of the COVID-19 pandemic. Considering China's economic coercion of Australia, which had significant consequences for Australia's economy, there have been renewed calls for Wellington to reassess its economic relationship with China. 104 Given China's willingness to use trade as a weapon of coercion, some argue that New Zealand should re-examine the risks to its economic security since a considerable proportion of its goods are headed for a single market. 105

The previous Labour government highlighted these concerns when former Prime Minister Chris Hipkins urged businesses to diversify trade away from China, stating that "making sure our eggs are spread across a range of baskets offers us a greater level of protection." This sentiment was echoed in a series of government documents, such as the National Security Strategy released by the New Zealand government in 2023, which highlighted "economic coercion by foreign

<sup>&</sup>lt;sup>104</sup> Georgia Edmonstone, "China's trade restrictions on Australian exports," United States Studies Centre, 2 April 2024, https://www.ussc.edu.au/.

<sup>105 &</sup>quot;Australia has faced down China's trade bans and emerged stronger," The Economist, 23 May 2023, https://www.economist.com/.

<sup>&</sup>lt;sup>106</sup> Chris Hipkins, "Prime Minister's Foreign Policy Speech to NZIIA" (speech, Office of the Prime Minister, 7 July 2023), https://www.beehive.govt.nz/.

actors" and urged "economic resilience." <sup>107</sup> In effect, overreliance on a single market may result in economic insecurity.

Based on the model, lesser reliance on trade with China may reduce the costs associated with the third scenario ( $K_{NC}-K_{NA}<0$ ) and may incentivize New Zealand to adopt scenario one ( $K_{NC}-K_{NA}>0$ ) or scenario two ( $K_{NC}-K_{NA}=0$ ), both of which advocate developing closer ties with the United States. However, "spreading eggs" in different baskets and diversifying trade face two challenges making this unlikely in the short term.

The first challenge is posed by the current state of the international order, which is less favorable to free trade than it has been since the end of the Cold War. 108 Several countries have moved away from free trade and adopted protectionist and mercantilist measures. Terms such as *resilience* and *economic self-sufficiency* now increasingly describe this noticeable uptick in protectionism and aversion to free trade. 109

In the Indo-Pacific, America's absence from any regional multilateral arrangement with provisions for market access, since the Trump administration pulled out of the Trans-Pacific Partnership (TPP), illustrates the current state of free trade. The Biden administration has continued the Trump administration's skepticism toward free trade. Although President Biden established the Indo-Pacific Economic Framework (IPEF), his administration has been unable to introduce market access provisions in IPEF due to domestic political opposition. 111

This presents a challenge for Wellington, as its previous approach to ensuring economic security after losing the British market was to diversify trade and push for free trade deals with other states. New Zealand's chief trade negotiator acknowledges that this approach is now inadequate and that the "golden weather" for New Zealand's trading policy is over. 112 Given the prevailing international environment, despite Wellington's desire to diversify trade and reduce economic dependence on China, there are few alternative markets available.

<sup>107</sup> New Zealand's National Security Strategy 2023–2028 (Wellington: Ministry of Defence, August 2023), https://www.dpmc.govt.nz/; and Defence Policy Review: Defence Policy and Strategy Statement 2023 New Zealand Government (Wellington: Ministry of Defence, 4 August 2023), https://www.defence.govt.nz/.

<sup>&</sup>lt;sup>108</sup> James Curran, "Sullivan's speech sounds US retreat from free trade over China," *East Asia Forum*, 23 May 2023, https://eastasiaforum.org/.

<sup>&</sup>lt;sup>109</sup> Gideon Rachman, "The real reasons for the west's protectionism," *Financial Times*, 18 September 2023, https://www.ft.com/.

<sup>&</sup>lt;sup>110</sup> Mireya Solís, "Trump withdrawing from the Trans-Pacific Partnership," *Brookings Institute*, 24 March 2017, https://www.brookings.edu/.

<sup>&</sup>lt;sup>111</sup> David Uren, "Biden's trade policy U-turn bodes ill for Indo-Pacific security," *The Strategist*, 14 December 2023, https://www.aspistrategist.org.au/.

<sup>&</sup>lt;sup>112</sup> BusinessDesk, "Golden weather' for NZ trade policy over, Vitalis says," *Farmers Weekly*, 8 August 2023, https://www.farmersweekly.co.nz/.

The second challenge arises from New Zealand's domestic political economy structure. New Zealand's comparative advantage lies in the primary sector, including dairy farming, horticulture, forestry, meat, and wool. 113 Over the years, New Zealand's manufacturing base has shrunk due to factors such as the distance from large markets and a relatively small domestic market, making it challenging to achieve economies of scale. 114 As demonstrated in figure 2, the primary sector accounts for at least 50 percent of all New Zealand exports to its top five trading partners.

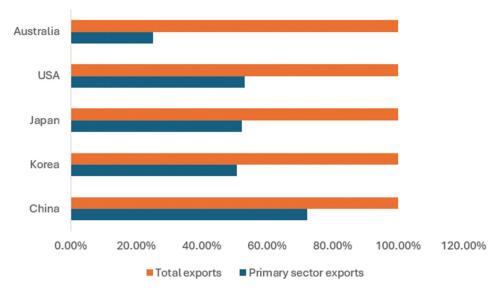


Figure 2. Percentage of primary sector exports to New Zealand's top export markets **2022.** (Source: Compiled by authors using data from Stats NZ and the New Zealand China Council.)

Although the primary sector adds value to the New Zealand economy, it remains one of the most protected sectors. Several countries are reluctant to open their markets to free trade in this sector. 115 Indeed, New Zealand's bilateral trade talks with Japan in the 1980s and currently with India illustrate the difficulties

<sup>&</sup>lt;sup>113</sup> Rudd and Roper, *The Political Economy of New Zealand*.

<sup>114</sup> Beyond Commodities: Manufacturing into the Future (Wellington: Ministry of Business, Innovation and Employment, August 2018), https://www.mbie.govt.nz/.

<sup>115</sup> Megumi Naoi and Ikuo Kume, "Explaining Mass Support for Agricultural Protectionism: Evidence from a Survey Experiment during the Global Recession," International Organization 65, no. 4 (October 2011): 771-95, https://doi.org/.

in securing market access in these countries since both have large domestic primary sector producing markets.<sup>116</sup>

There are other challenges associated with having a comparative advantage in the primary sector. Primary sector products are relatively low "value-added" and, in most cases, are not part of critical supply chains like some of the natural resources Australia exports or other advanced manufactured goods. These products have a high substitutability, and countries can find alternative suppliers in trade disputes. These

The challenge for New Zealand is not just the difficulty in finding alternative markets to reduce reliance on China, but also that the sector in which New Zealand specializes limits its appeal due to its prevailing political economy and industrial structure. Given these challenges, New Zealand may find it difficult to move away from the third scenario in our model ( $K_{NC}$ – $K_{NA}$ >0) in the short term, unless it finds a way to lower the costs to its economic security and increase the benefits. If, for instance, access to an alternative market like the United States or India was possible, this would change the calculus of costs and benefits for New Zealand and may move Wellington toward the first ( $K_{NC}$ – $K_{NA}$ >0) or second ( $K_{NC}$ – $K_{NA}$ =0) scenarios of the model, which advocate developing closer ties with the United States.

Several scholars argue that the benefits of developing closer ties with the US outweigh the costs. Some note the congruence of values between the United States and New Zealand, and how recent belligerent actions by China, such as missile firings in the South Pacific, challenge New Zealand's principles. Others highlight the emerging power of the US and its allies, suggesting that "If a US–China neo-Cold War is underway, it might pay to bet on the most powerful and dynamic side—which is the US and Australia." Additionally, it is often noted that "If New Zealand finds itself in a situation where it has to choose to balance with the US or bandwagon with China, it is almost a certainty that New Zealand would follow Australia's footsteps and firmly align itself with the US."

Furthermore, it is important to acknowledge that the hedging strategy is contingent on the international environment allowing small states the breathing room

<sup>&</sup>lt;sup>116</sup> Sam Sachdeva, "India trade deal still 'aspirational' despite NZ push," *Newroom*, 12 August 2024, <a href="https://newsroom.co.nz/">https://newsroom.co.nz/</a>.

<sup>&</sup>lt;sup>117</sup> Ralph Lattimore and Shamubeel Eaqub, *The New Zealand Economy: An Introduction*, (Auckland: Auckland University Press, 2011); and "China and Australia: Frenemies who need each other," *BBC News*, 4 November 2023, https://www.bbc.com/.

<sup>&</sup>lt;sup>118</sup> Cosimo Beverelli, Mauro Boffa, and Alexander Keck, "Trade policy substitution: Theory and evidence," *Review of World Economics* 155, no. 4 (2019): 755–83, https://doi.org/.

<sup>&</sup>lt;sup>119</sup> Nicholas Khoo, "China's missile tests New Zealand's principles," *The Interpreter*, 30 September 2024, https://www.lowyinstitute.org/.

<sup>&</sup>lt;sup>120</sup> Reuben Steff, "The Strategic Case for New Zealand to Join AUKUS," *The Diplomat*, 4 April, 2023, https://thediplomat.com/.

to undertake a successful hedge. There may be long-term risks, such as strategic irrelevance, associated with hedging. If the international order in the Indo-Pacific transforms into one similar to the Cold War due to the deterioration of Sino-US relations, New Zealand may be forced to rethink its asymmetrical hedging strategy.<sup>121</sup>

Smith notes, "If New Zealand finds itself in a situation where it has to choose to balance with the US or bandwagon with China, it is almost a certainty that New Zealand would follow Australia's footsteps and firmly align itself with the US." 122 However, Smith also argues that New Zealand may adopt a nonaligned form of hedging in the short term instead of entirely abandoning its hedging strategy if US-China relations turn more adversarial. 123

Due to factors like the congruence of values, New Zealand may decide to support the US and its allies if forced to choose between the two. However, Wellington's policy posture indicates hesitancy to move away from its hedging strategy. While Wellington may include values and principles in its decision-making calculus, it also accounts for its material interests and economic security. Indeed, in the long term, Wellington may lower the costs to its economic security to the extent that the benefits of aligning more closely with the United States outweigh the costs. However, Wellington may struggle to achieve this in the short term due to the constraints discussed above.

Terence O'Brien notes that "values as well as interest drive New Zealand foreign policy."124 This balance of interests against values is most clearly demonstrated in the question of New Zealand's AUKUS membership. The current government has developed a more consistent position on New Zealand's membership of Pillar II of AUKUS than the previous government and has highlighted the role that shared values have played in moving New Zealand closer to Australia and the US in the defense-strategic dimension. However, despite the congruence of values, New Zealand has not yet joined AUKUS, unlike Australia.

Richard Devetak and Jacqui True note that foreign policy differences between Australia and New Zealand arise "from different governmental worldviews." 125

<sup>&</sup>lt;sup>121</sup> Smith, "New Zealand's Grand Strategic Options," 320.

<sup>122</sup> Smith, "New Zealand's Grand Strategic Options," 322; and Sung Chul Jung, Jaehyon Lee, and Ji-Yong Lee, "The Indo-Pacific Strategy and US Alliance Network Expandability: Asian Middle Powers' Positions on Sino-US Geostrategic Competition in Indo-Pacific Region," Journal of Contemporary China 30, no. 127 (2021): 53–68, https://doi.org/.

<sup>&</sup>lt;sup>123</sup> Smith, "New Zealand's Grand Strategic Options," 321.

<sup>&</sup>lt;sup>124</sup> O'Brien, "New Zealand Foreign Policy," 20.

<sup>125</sup> Richard Devetak and Jacqui True, "Diplomatic divergence in the Antipodes: Globalisation, foreign policy and state identity in Australia and New Zealand," Australian Journal of Political Science 41, no. 2 (2006): 241-56, https://doi.org/.

The New Zealand government's worldview is influenced as much, if not more, by concerns of economic security as by shared values. Foreign Minister Peters stated in a 2024 speech that the "Government is a long way' from making the decision about joining Pillar II of AUKUS and that 'critics and commentators are well ahead of where the government presently sits in relation to Pillar II." 126

#### Conclusion

This study examines the likelihood of New Zealand changing its existing hedging strategy and adopting a more active pro-US stance. With the recent deterioration of relations between Wellington and Beijing, as well as Beijing and Washington, there have been calls for New Zealand to move away from its asymmetric hedging strategy, especially with the room for hedging shrinking due to US–China strategic competition.

Using de Mesquita's expected utility model, various scenarios and the costs New Zealand will incur with a policy change were mapped out. The role that economic security plays in Wellington's calculus was assessed to determine whether New Zealand will develop closer ties with the United States. It was argued that, at least in the short term, Wellington is unlikely to move away from its current hedging strategy due to the high economic security costs associated with such a move. Given the difficulties in finding alternative markets, owing to international pessimism toward free trade and the constraints of New Zealand's domestic political economy, China may continue to remain an indispensable partner for New Zealand in the short term.

New Zealand policy makers have begun to publicly recognize the risks associated with overreliance on trade with a single partner in recent years. The overreliance on the British market in the 1970s serves as a reminder of the pitfalls of having a singular trading partner accounting for more than 30 percent of all goods exports. However, it is vital that New Zealand policy makers also recognize the risks associated with developing a comparative advantage in the primary sector. The primary sector accounts for a disproportionate share of all goods exports to New Zealand's top trading partners. High tariffs and other barriers to entry create additional hurdles in securing new markets for the primary sector, as exemplified by New Zealand's experience with free trade negotiations with India.

It is crucial for New Zealand policy makers to convey the risks associated with safeguarding the country's economic security to the public. Instead of making

<sup>&</sup>lt;sup>126</sup> Winston Peters, "Speech to New Zealand Institute of International Affairs, Parliament—Annual Lecture: Challenges and Opportunities" (speech, Ministry of Foreign Affairs, 1 May 2024), <a href="https://www.beehive.govt.nz/">https://www.beehive.govt.nz/</a>.

policy announcements promising an FTA with India within three years, New Zealand policy makers should engage in honest conversations with the public about the challenges in overcoming this hurdle and securing the country's economic security in the long term. 127 ©

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<sup>127</sup> Katie Scotcher, "New Zealand to put 'every single effort' into getting free trade deal with India," Radio New Zealand, 4 December 2023, https://www.rnz.co.nz/.

### **Smart Power or Strategic Apathy?**

## The New Zealand Defence Force and the Politics of Capability Building and Deployment in the Indo-Pacific

Dr. Juhn Chris P. Espia

#### **Abstract**

This article examines how the New Zealand Defence Force (NZDF) builds and deploys its capabilities in the evolving Indo-Pacific strategic environment. Geography, domestic politics, and historical moments shape defense policy and spending. The NZDF continues traditional deployments—peacekeeping, logistics, maritime security, and humanitarian operations—aiming to maintain an independent foreign policy while contributing modestly to the international order. The NZDF plays a critical role in humanitarian assistance and disaster response (HADR) in the Pacific and Southeast Asia, areas where New Zealand enjoys goodwill. However, despite improved troop quality, New Zealand's defense spending and personnel numbers have declined, eliminating its air combat capabilities. While HADR and other nontraditional roles grow, including search, rescue, and resource protection, the NZDF shifts away from its traditional role of border defense. Coupled with reluctance to formalize alliances beyond Australia, this approach in a riskier environment seems like a dangerous gamble.

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ew Zealand's national anthem, "God Defend New Zealand," references how the country should deal with military threats: "make mountains into ramparts," "make us then a mighty host," and "put our enemies to flight." This sequence—territorial defense followed by mobilizing the populace for a counterattack—now seems outdated, reflecting neither the strategic position nor the capabilities of the New Zealand Defence Force (NZDF).<sup>1</sup>

New Zealand faces no direct military threat but has diverse security interests requiring specific capabilities. However, defense spending has plummeted to a little more than one percent of gross domestic product (GDP), roughly two-thirds less than four decades ago. The air combat capability was scrapped in 2001.<sup>2</sup> Regular

<sup>&</sup>lt;sup>1</sup> Stephen Hoadley, "From Defence to Security: New Zealand's Hard Power, Soft Power, and Smart Power," New Zealand International Review 32, no. 5 (2007): 18–21, .

<sup>&</sup>lt;sup>2</sup> M.L. Cavanaugh, "New Zealand's Dangerous Strategic Apathy in an Uncertain Age," *The Strategist*, 12 February 2020, https://www.aspistrategist.org.au/.

Force personnel numbers fell from 12,400 in 1985 to 8,946 in 2024.<sup>3</sup> Some analysts call this a crisis, pointing to failing NZDF assets and personnel exodus.<sup>4</sup>

In recent discussions, some politicians and analysts have raised concerns about the decline in the NZDF's numbers and capabilities. Additionally, certain actors have proposed the abolition of the Defence Force, suggesting that its budget could be better utilized for nonviolent alternatives. However, several developments since 2022 indicate a shift in New Zealand's strategic outlook. Then-Prime Minister Jacinda Ardern attended the NATO Summit that year. In 2023, under Chris Hipkins' government, Defence Minister Andrew Little unveiled a *Defence Policy Strategy Statement*, acknowledging that New Zealand "no longer lives in a benign strategic environment." The current three-party center-right coalition appears more inclined to increase defense spending, despite facing a structural fiscal deficit and an expanded public service.

Considering these seeming shifts, this article examines how the NZDF's capability-building and deployment patterns shape its overall military capacity in the evolving Indo-Pacific strategic environment. It argues that geography, domestic politics, and significant historical events have influenced policy makers' views on the military, directing defense policy and spending. With New Zealand's reluctance to formalize alliances beyond Australia, the article concludes that the country is taking a dangerous gamble in a riskier environment.

#### Small States and the Military

In general, small states are perceived as lacking military power. Some scholars argue that the defining characteristic of small states is their inability to provide for their security, relying on others—states, institutions, and developments—for protection.<sup>7</sup> However, their small size does not mean they do not maintain military forces. This military function, along with economic and diplomatic ones, is constrained

<sup>&</sup>lt;sup>3</sup> "Our People, Structure, and Leadership," New Zealand Defence Force, 2024, accessed 15 September 2024, <a href="https://www.nzdf.mil.nz/">https://www.nzdf.mil.nz/</a>; and Cavenaugh, "New Zealand's Dangerous Strategic Apathy."

<sup>&</sup>lt;sup>4</sup> David Fisher, "NZ Defence Force in Crisis—Our Ships Can't Sail, Planes Can't Fly and Soldiers Have Left in Droves," *New Zealand Herald*, 2024, https://www.nzherald.co.nz/.

<sup>&</sup>lt;sup>5</sup> Griffin Manawaroa Leonard, Joseph Llewellyn, and Richard Jackson, *Abolishing the Military: Arguments and Alternatives* (Wellington: Bridget Williams Books, 2023).

<sup>&</sup>lt;sup>6</sup> Tim Hurdle, "New Zealand Is Waking up to Threats," *The Strategist*, 23 May 2024, https://www.aspistrategist.org.au/.

<sup>&</sup>lt;sup>7</sup> Robert L. Rothstein, *Alliances and Small Powers* (New York: Columbia University Press, 1968), 29.

by their relatively narrow economic base, gaps in organizational capacity, and low levels of diplomatic and military capabilities.<sup>8</sup>

In the contemporary security environment, small budgets and rigid defense bureaucracies continue to limit small states. However, more opportunities now exist for them to employ these capabilities and gain influence. Small states have become adept at utilizing *smart power*—the intelligent linking and integration of hard and soft power. Militaries have been deployed for more complex mission environments beyond conventional combat, such as contributing to regional peace and stability missions, humanitarian assistance and disaster relief (HADR), and regional diplomacy. Thus, while small states may no longer be expected to credibly project their warfighting capability, there are many other exigencies under the wider umbrella of military operations that support the international rules-based order and meet small states' interests.

The defense policies and strategies of states reflect their domestic and external environments. This analysis focuses on three factors: the role of geography, specific historical junctures, and domestic politics. In realist scholarship, researchers and strategists have consistently investigated the importance of geographical characteristics in their analyses of security situations and military strategies. Whether a state has a land and sea power nexus, strategic depth and natural defenses, and proximity to friendly and threatening great powers, matters. Colin Gray argues that geographical characteristics, along with historical experience, also contribute to a nation's strategic culture. Geography predisposes states and their military establishments toward certain ways of conducting warfare. Strategic culture, as a set of shared

<sup>&</sup>lt;sup>8</sup> Benjamin de Carvalho and Iver Neumann, *Small States and Status Seeking: Norway's Quest for International Standing* (New York Routledge, 2015).

<sup>&</sup>lt;sup>9</sup> Rob De Wijk, "The Implications for Force Transformation: The Small Country Perspective," in *Transatlantic Transformations–Equipping Nato for the 21st Century*, ed. D.S. Hamilton (Washington: Center for Transatlantic Relations, 2004), 144.

<sup>&</sup>lt;sup>10</sup> Jan Willem Honig, "The Tyranny of Doctrine and Modern Strategy: Small (and Large) States in a Double Bind," *Journal of Strategic Studies* 39, no. 2 (2016): 261–79, https://doi.org/.

<sup>&</sup>lt;sup>11</sup> Joseph S. Nye, "State Smart Power Strategies," in *Soft Power and Great-Power Competition: Shifting Sands in the Balance of Power between the United States and China*, ed. Joseph S. Nye (Singapore: Springer Nature Singapore, 2023), 21–28.

<sup>&</sup>lt;sup>12</sup> Alan Chong, "Smart Power and Military Force: An Introduction," *Journal of Strategic Studies* 38, no. 3 (2015): 233–44,

<sup>&</sup>lt;sup>13</sup> Vernon Noel Bennett, "Military Force Structures in Small States: Providing for Relevant and Credible Military Capability" (PhD dissertation, Victoria University of Wellington, 2018), 61, <a href="https://dml.armywarcollege.edu/">https://dml.armywarcollege.edu/</a>.

<sup>&</sup>lt;sup>14</sup> Hans J. Morgenthau and Kenneth W. Thompson, *Politics among Nations: The Struggle for Power and Peace* (New York: McGraw-Hill, 1993).

<sup>&</sup>lt;sup>15</sup> Colin S. Gray, Strategy and History: Essays on Theory and Practice (New York: Routledge, 2007), 137–39.

understandings within a particular community, channels influence from historical experiences, geography, and other factors into policymaking and practice. <sup>16</sup>

Previous experiences, such as wars, become formative lessons that can be passed down to those who did not live through them. 17 Past successes generally lead to policy continuity, while failures often result in policy change. <sup>18</sup> In certain cases, previous experiences influence the choice between pursuing alliances or adopting neutrality—a policy of neutrality that maintains peace is likely to continue, while its failure pushes states toward alliances. 19 Decision makers often use these experiences to rationalize their policy choices. Historical experiences can thus serve as part of the policy learning process or as a rhetorical device for advancing an agenda. In both cases, they impact the ability of decision makers to make choices.<sup>20</sup>

Foreign policy decision making can be described as the process of carrying the nation's past and problems along.<sup>21</sup> Together with geography, they form national strategic cultures where national conceptions of roles and identities shape what are considered appropriate actions. External shocks and "strategical dilemmas" can challenge these identities. In the latter case, established identities and values may conflict with each other.<sup>22</sup>

Domestic politics is often cited as a reason states pursue suboptimal foreign policies. Domestic political institutions, cultures, economic structures, or leadership goals unrelated to a state's relative power help explain why states make particular foreign policy choices.<sup>23</sup> The role of domestic politics is also often expressed in terms of the preferences of selectorates and competing interest groups. In democratic systems, defense policy has been analyzed in terms of how lobbies operate, particularly regarding the existence of a military-industrial complex.<sup>24</sup> However, this is of

<sup>&</sup>lt;sup>16</sup> Häkan Edström, Dennis Gyllensporre, and Jacob Westberg, Military Strategy of Small States: Responding to External Shocks of the 21st Century (New York: Routledge, 2018), 25.

<sup>&</sup>lt;sup>17</sup> Robert Jervis, Perception and Misperception in International Politics (Princeton, NJ: Princeton University

<sup>&</sup>lt;sup>18</sup> Jack S. Levy, "Learning and Foreign Policy: Sweeping a Conceptual Minefield," International Organization 48, no. 2 (Spring 1994): 279-312, https://www.jstor.org/.

<sup>&</sup>lt;sup>19</sup> Dan Reiter, "Learning, Realism, and Alliances: The Weight of the Shadow of the Past," World Politics 46, no. 4 (July 1994): 490-526, https://doi.org/.

<sup>&</sup>lt;sup>20</sup> Jack Snyder, Myths of Empire: Domestic Politics and International Ambition, vol. 160 (Ithaca, NY: Cornell University Press, 1991).

<sup>&</sup>lt;sup>21</sup> Stanley Hoffmann, *The European Sisyphus: Essays on Europe, 1964–1994* (New York: Routledge, 2019).

<sup>&</sup>lt;sup>22</sup> John Lantis and Daryl Howlett, "Strategic Culture," in Strategy in the Contemporary World, ed. John Baylis, James Wirtz, and Colin S Gray (Oxford: Oxford University Press, 2016).

<sup>&</sup>lt;sup>23</sup> James D. Fearon, "Domestic Politics, Foreign Policy, and Theories of International Relations," Annual Review of Political Science 1, no. 1 (1998): 289–313, https://doi.org/.

<sup>&</sup>lt;sup>24</sup> Rebecca U. Thorpe, The American Warfare State: The Domestic Politics of Military Spending (Chicago: University of Chicago Press, 2020).

little relevance to small states. Conversely, the role of party ideology and military spending has been theorized, highlighting the interests of domestic political factions controlling the state and their influence on military strategy and force structure.<sup>25</sup>

# The NZDF Today: The Roles of Geography, History, and Domestic Politics

New Zealand, a maritime state in the South Pacific Ocean, is the 77th largest country in terms of surface area and boasts a coastline of 15,134 kilometers. With a population of 5,161,211, it ranks as the 125th most populous country globally. Located in a remote part of the Pacific, New Zealand holds the fourth-largest exclusive economic zone (EEZ) in the world and has territorial claims in Antarctica. Additionally, it is formally responsible for the defense of Niue, Tokelau, and the Cook Islands. 27

Geographically isolated and without direct military threats, New Zealand enjoys significant maneuverability on a broad range of international issues. <sup>28</sup> Its security partnerships and outlook are deeply influenced by its colonial history. As a dominion and former colony, it supported the British Empire and the United Kingdom, sending forces to the Boer War and both World Wars, thus developing an expeditionary nature to its armed forces. The security relationship with Australia was formalized in 1944, followed by the signing of the Australia, New Zealand, and United States (ANZUS) Treaty in 1951, further deepening ties with the United States. The end of the ANZUS relationship in the 1980s increased New Zealand's reliance on Australia. Between the 1950s and 1980s, it stationed forces in Malaysia and Singapore, forming closer security ties with both countries. <sup>29</sup>

The absence of a direct invasion threat means that the NZDF has a broad structure, but its capabilities remain modest due to limitations. The NZDF consists of 8,946 regular, 3,226 reserve, and 3,309 civilian personnel, distributed across the Royal New Zealand Navy, New Zealand Army, Royal New Zealand Air Force, and Defence Headquarters.<sup>30</sup> The Army is the largest force with 6,399 personnel.<sup>31</sup>

<sup>&</sup>lt;sup>25</sup> Benjamin O. Fordham, "Domestic Politics, International Pressure, and the Allocation of American Cold War Military Spending," *Journal of Politics* 64, no. 1 (February 2002): 63–88, <a href="https://www.jstor.org/">https://www.jstor.org/</a>.

<sup>&</sup>lt;sup>26</sup> Central Intelligence Agency, "New Zealand," World Factbook, 2024, https://www.cia.gov/.

<sup>&</sup>lt;sup>27</sup> Defence White Paper 2016 (Wellington: Ministry of Defence, June 2016), https://www.defence.govt.nz/.

<sup>&</sup>lt;sup>28</sup> Robert Patman, "Sovereignty, Globalisation and New Zealand Foreign Policy," in *New Zealand in a Globalising World*, ed. Ralph Pettman (Wellington: Victoria University Press, 2005), 44–65.

<sup>&</sup>lt;sup>29</sup> Robert Ayson, "Australasian Security," in *Strategy and Security in the Asia-Pacific: Global and Regional Dynamics*, ed. Robert Ayson and Desmond Ball (London: Routledge, 2020), 242–56.

<sup>&</sup>lt;sup>30</sup> Figures cited here are as of 31 August 2024.

<sup>&</sup>lt;sup>31</sup> "Our People, Structure, and Leadership."

The NZDF's current mandate, established under the Defence Act of 1990 and operationalized in the 2016 Defence White Paper, outlines its principal roles: defending New Zealand's sovereign territory, contributing to national resilience and security objectives, meeting alliance commitments with Australia, supporting civilian presence in Antarctica and the Southern Ocean, leading operations in the South Pacific, supporting peace and security in the Asia-Pacific region, contributing to international peace and security and the rule of law, advancing New Zealand's security partnerships, monitoring the strategic environment, and responding to sudden shifts in the strategic environment.<sup>32</sup>

These roles are ambitious and reflect a shift from Cold War-era thinking based on force mobilization and collective security.<sup>33</sup> Despite significant changes in the strategic environment and defense goals, the NZDF's force structure has seen little change since the end of the Cold War. New Zealand has lost its Air Combat Wing and two of its four frigates. Much of the NZDF's doctrine and training focus on conventional operations with minimal expansion of special forces. Its expeditionary capability remains limited due to a lack of airlift and sealift capabilities.

The conservatism and continuity in the NZDF's structure are arguably driven by economic factors rather than strategic ones. The defense budget has declined in real terms, limiting the ability to test new concepts or expand the defense force. New Zealand's maritime forces, while maintaining limited blue-water combat capabilities, primarily conduct surveillance, patrol, resource and border protection, and search and rescue (SAR) operations. The Air Force, lacking air combat capabilities, assists the Navy with maritime patrols and helicopter support and conducts surveillance, reconnaissance, SAR, combat operations, and international security assistance.

The New Zealand Army can deploy in combined arms operations up to the battalion level, conduct peacekeeping operations, provide security assistance, and support civilian authorities in New Zealand. The Special Operations Forces (SOF) handle domestic counterterrorism and explosive ordnance disposal (EOD) and serve as deployable force elements in domestic and coalition tasks abroad. The NZDF is developing capabilities for independent, low-intensity operations through the Joint Task Force (JTF) concept.<sup>34</sup> The New Zealand Special Air Service (NZSAS) Regiment, modeled after the British SAS, is the premier combat unit of the NZDF, comprising six squadrons. It has been extensively deployed as part of New Zealand's

<sup>&</sup>lt;sup>32</sup> Defence White Paper 2016, 11.

<sup>&</sup>lt;sup>33</sup> James Rolfe, *The Armed Forces of New Zealand*. (St. Leonards: Allen and Unwin, 1999), 18.

<sup>&</sup>lt;sup>34</sup> Bennett, "Military Force Structures in Small States," 106–07.

international commitments since the Malayan Emergency in 1955 and has seen extended deployments in Afghanistan since 2001.<sup>35</sup>

Since 1991, the overall trend in the New Zealand Defence Force (NZDF) has been a reduction in forces and continuity in policy. There has been some slight restructuring, but this has been confined to areas that did not require additional major funding, such as service roles, doctrine, and command structure. Major capital acquisitions have occurred only in the naval forces.<sup>36</sup>

Currently, New Zealand has very limited force elements that it can utilize for its international commitments: four P-8A Poseidon aircraft (replacing the aging P3K2 Orion squadron), five C-130H Hercules, two ANZAC-class frigates (HMNZS *Te Kaha* and HMNZS *Te Mana*), and the NZSAS Regiment. Until recently, there have been no significant events (apart from the 2019 Christchurch mosque attacks) that have changed the threat calculus. Even then, the rise of terrorism and new security risks has not prompted major policy and institutional changes. Thus, while the NZDF appears capable of being deployed in a broad range of tasks, its size and current capabilities are limited, and its ability to sustain them is in question.

The isolation and lack of direct threats have made defense a low-salience area in New Zealand politics, resulting in low levels of funding.<sup>37</sup> Comparable social democracies in similar benign environments, such as Sweden, Norway, and Finland, spend between 1.5 to 2.0 percent of GDP on defense.<sup>38</sup> Tonga, much smaller than New Zealand, spent 1.6 percent of its GDP on defense in 2023, while Fiji spent 1.3 percent.<sup>39</sup> In 2010, New Zealand's defense spending was only around 1 percent of GDP, despite the ambitious agenda set out in the *Defence White Paper* of that year.<sup>40</sup> From 1960 to 2022, there has been a general decline in New Zealand's defense spending as a percentage of GDP, from 2.69 percent to 1.18 percent.

Although there has been an increase in total expenditure in 2024 (NZD 4.5 billion), it has not been enough for New Zealand to meet its defense needs. This trend reflects New Zealand's tendency to provide minimal funding for the defense

<sup>35 &</sup>quot;Peace & Security," New Zealand Defence Force, n.d., https://www.nzdf.mil.nz/.

<sup>&</sup>lt;sup>36</sup> Zhivan Alach, "New Zealand's Future Defence: Force Change or Stagnation?," *Security Challenges* 2, no. 3 (October 2006): 63–76, https://www.jstor.org/.

<sup>&</sup>lt;sup>37</sup> David McCraw, "Change and Continuity in Strategic Culture: The Cases of Australia and New Zealand," *Australian Journal of International Affairs* 65, no. 2 (2011): 167–84, https://doi.org/.

<sup>&</sup>lt;sup>38</sup> Alach, "New Zealand's Future Defence," 74.

<sup>&</sup>lt;sup>39</sup> Central Intelligence Agency, "Military Expenditures Comparison," *World Factbook*, 2024, https://www.cia.gov/.

<sup>&</sup>lt;sup>40</sup> Rod Lyon, "The New Zealand Defence White Paper: A More Strategically-Extroverted Kiwi?," *Policy Analysis* 69, 11 November 2010, https://ad-aspi.s3.ap-southeast-2.amazonaws.com/.

force, except during periods of total war.<sup>41</sup> Over the years, there has been little concern from the public and Parliament regarding defense spending.<sup>42</sup> Since the Helen Clark government in 1999, the view that New Zealand's security encompasses more than just defense, and thus requires a balanced allocation of resources among various aspects of foreign policy, has persisted in policy circles.<sup>43</sup> Figure 1 summarizes the general decline in military spending as a percentage of GDP.

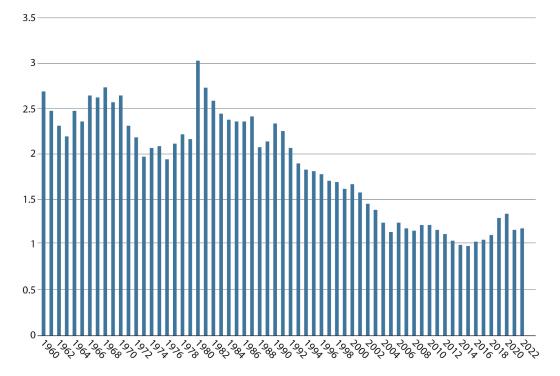


Figure 1. New Zealand defense spending as percentage of GDP, 1960-2022. (Source: Stockholm International Peace Research Institute, "Military Expenditure Database," https:// www.sipri.org/databases/milex.)

Defense issues do not have a significant constituency in New Zealand and are usually reserved for a small group of political elites. The public's view of defense seems to be stuck in the era of antinuclear legislation, the retrenchment of New Zealand's strategic horizons, and the end of ANZUS, which downgraded US-NZ

<sup>&</sup>lt;sup>41</sup> Rhys Ball, "The Strategic Utility of New Zealand Special Forces," Small Wars & Insurgencies 22, no. 1 (2011): 119-41, https://doi.org/.

<sup>&</sup>lt;sup>42</sup> Alach, "New Zealand's Future Defence," 70.

<sup>&</sup>lt;sup>43</sup> Hon Derek Quigley, "The Evolution of New Zealand Defence Policy," Security Challenges 2, no. 3 (October 2006): 41–61, https://www.jstor.org/.

relations from "allied" to "friendly." Current and immediate past governments have taken different positions on the issue.

Historically, New Zealand's two major political parties have different stances on international relations and the role of the military. The Labour Party, described as liberal internationalist, has been antimilitarist since 1916. The National Party, with a more realist perspective, has always been concerned with national defense. Despite this, neither party can be considered significant defense spenders. Notably, during Helen Clark's Labour government, New Zealand disbanded its air combat arm. However, a Labour-led government sent NZSAS personnel to Afghanistan, and a frigate was dispatched to the Persian Gulf in response to the September 11 attacks in the United States.<sup>45</sup>

Among more recent coalition members, NZ First, which holds a politically conservative position, has long called for renewing relationships with traditional partners, such as Australia and the United States. It attempted to do so with coalition partner Labour in 2017. While NZ First held both the defense and foreign affairs portfolios, the New Zealand Defence Ministry in 2018 focused more on working with other nations in areas such as HADR operations, the role of women in peace and security, and the expansion of peacekeeping operations—a position supported by Labour's other coalition partner, the Green Party. 46

The current coalition government, led by the National Party, has expressed a desire to spend more on defense and play a more significant role but faces budget-ary constraints. The lack of sustained investment over the years means that much of the new funding will be spent on improving readiness and addressing the assets and equipment backlogs of the past decades.<sup>47</sup>

# The NZDF and the Changing Strategic Environment in the Indo-Pacific

The NZDF plays an outsized role in supporting the country's foreign policy objectives, raising questions about New Zealand's reliance on the NZDF as a "one-stop-shop" for foreign engagements. Successive New Zealand governments have articulated two main foreign policy objectives in which the NZDF plays a crucial role: supporting the Pacific Region, with an emphasis on Australia as a

<sup>&</sup>lt;sup>44</sup> Lyon, "The New Zealand Defence White Paper," 1.

<sup>&</sup>lt;sup>45</sup> David McCraw, "New Zealand's Defence Policy: The Triumph of Ideology?," New Zealand International Review 31, no. 1 (January 2006): 23–27

<sup>46 &</sup>quot;Defence and Peacekeeping Policy," New Zealand Green Party, 2018, https://www.greens.org.nz/.

<sup>&</sup>lt;sup>47</sup> Lucy Craymer and Lewis Jackson, "New Zealand Proposes 6.6% Smaller Defence Budget Amid Personnel and Equipment Woes," *Reuters*, 22 May 2024, https://www.reuters.com/.

partner, and being a good international citizen through international organizations and multinational operations.

The NZDF typically engages in offshore activities such as HADR, SAR, defense and diplomacy exercises, support to Antarctica, Building Partner Capacity (BPC), surveillance and interception, counterpiracy, and involvement in UN peacekeeping operations. 48 The New Zealand Ministry of Foreign Affairs and Trade (MFAT) considers the NZDF key in its exercise of defense diplomacy. This includes visits, exchanges, and deliberations on military matters as well as nonconventional and "soft" threats.<sup>49</sup>

Defense diplomacy has become a more frequently used soft power tool, especially with the growth of China's influence in the region and rising regional tensions, which have led to more assertive militaries in the Pacific. Within the Pacific, New Zealand's defense diplomacy efforts have been notably effective, with NZDF personnel viewed as friendly, trustworthy, and well-respected. New Zealand's long-term engagement with the Pacific Islands and its ability to understand the priorities of Pacific peoples have given it an important edge, with Pacific Island Countries (PIC) recognizing the quality and achievements of New Zealand's efforts.<sup>50</sup>

The NZDF's involvement in peacekeeping operations dates back to 1951, when its officers served as unarmed observers in the India-Pakistan conflict over Kashmir. Since then, New Zealand has participated in 40 peace operations in more than 25 countries over the past seven decades, either under UN auspices or as part of coalitions.<sup>51</sup> The New Zealand government uses the term *peace support operations* to describe this involvement, encompassing a broad range of activities beyond UN peacekeeping operations, including peace enforcement and other forms of military deployment.<sup>52</sup>

In Afghanistan, for instance, the NZSAS was extensively involved in Special Forces operations, provincial reconstruction activities, and the training of local forces.<sup>53</sup> The NZDF's deployments represent an effective way of deploying smart power—leveraging its limited resources to fulfill international commitments while meeting broad security goals.

<sup>&</sup>lt;sup>48</sup> B. K. Greener, "The New Zealand Defence Force Role in New Zealand Foreign Policy," in Small States and the Changing Global Order: New Zealand Faces the Future, ed. Anne-Marie Brady (Cham: Springer, 2019),

<sup>&</sup>lt;sup>49</sup> Hoadley, "From Defence to Security," 19.

<sup>&</sup>lt;sup>50</sup> Kendra L. Roddis and Alexander C. Tan, "Defence Diplomacy: Battling for the Heart of the Pacific," Outre-Terre, no. 58-59 (2020): 327-48, http://dx.doi.org/.

<sup>51 &</sup>quot;Peace Support Operations," New Zealand Ministry of Foreign Affairs Trade, 2021, https://www.mfat .govt.nz/.

<sup>52 &</sup>quot;Peacekeeping," Te Ara—the Encyclopedia of New Zealand, 2015, https://teara.govt.nz/.

<sup>53 &</sup>quot;Peace & Security."

The strategic rivalry between the United States and China, along with China's growing assertiveness in the region, looms large for New Zealand. China remains the largest market for New Zealand exports. Since 2006, the People's Republic of China's (PRC) presence in the Pacific has expanded dramatically. In November 2018, Xi Jinping attended the Asia-Pacific Economic Cooperation (APEC) Summit in Port Moresby and met with all Pacific leaders with whom the PRC had diplomatic relations. Frior to this, Xi labeled the South Pacific as the "southern leg" of the Maritime Silk Road, which eventually transformed into the Belt and Road Initiative (BRI). The PRC's extended Maritime Silk Road map issued in 2015 included parts of the South Pacific. In the last 20 years, China has become a key aid, investment, and trade partner for most states in the Pacific.

New Zealand's response to China's increasing presence in the Pacific, despite initial silence and eventual denial, was the Pacific Reset policy. This policy includes an allocation of NZ\$714.2 million to New Zealand's Official Development Assistance (ODA) Fund and the establishment of 14 new diplomatic posts in the region.<sup>57</sup> Despite some recent setbacks, the NZ–China relationship continues to flourish, even as New Zealand deepens its security relationship with the United States. According to one analysis, part of the reason China does not seem troubled by this is the general weakness of New Zealand's armed forces.<sup>58</sup> Nonetheless, New Zealand has taken a cautious approach, maintaining freedom of navigation and open trade routes.<sup>59</sup>

The end of the ANZUS alliance has made New Zealand less willing to openly take sides in any contest between great powers, marking the hallmark of its "independent foreign policy." This position has several facets. It is first anchored on the continued commitment to a rules-based international order, allowing New Zealand to be a liberal free-trading nation. Second, it has been articulated in terms of New

<sup>&</sup>lt;sup>54</sup> "China, Pacific Island Countries Lift Ties to Comprehensive Strategic Partnership," *Xinhua*, 17 November 2018, http://www.xinhuanet.com/.

<sup>&</sup>lt;sup>55</sup> Derek Grossman, Chinese Strategy in the Freely Associated States and American Territories in the Pacific: Implications for the United States (Santa Monica, CA: RAND, 2023), https://www.rand.org/.

<sup>&</sup>lt;sup>56</sup> Anthony Bergin, David Brewster, and Aakriti Bachhawat, "Pacific Island Countries," in *Ocean Horizons: Strengthening Maritime Security in Indo-Pacific Island States* (Canberra: Australian Strategic Policy Institute, 2019), 17–28, http://www.jstor.org/.

<sup>&</sup>lt;sup>57</sup> Iati Iati, "China's Impact on New Zealand Foreign Policy in the Pacific: The Pacific Reset," in *The China Alternative: Changing Regional Order in the Pacific Islands*, ed. Graeme Smith and Terence Wesley-Smith (Canberra: ANU Press, 2021), 143–66.

<sup>&</sup>lt;sup>58</sup> Robert G. Sutter et al., *Balancing Acts: The Us Rebalance and Asia-Pacific Stability* (Washington: Sigur Center for Asian Studies, 2013).

<sup>&</sup>lt;sup>59</sup> Steven Paget, "Water under the Bridge?: The Revival of New Zealand–United States Maritime Cooperation," *Naval War College Review* 74, no. 3 (2021): 41–64, https://digital-commons.usnwc.edu/.

Zealand's nuclear-free stance. Third, this same independence has been invoked to justify New Zealand's deepening ties with Australia, Canada, and the United Kingdom, while mending ties with the United States. Lastly, New Zealand sees itself as an honest player among Pacific Island states, assisting them in a variety of pressing regional issues.<sup>60</sup>

This independent foreign policy position justifies why New Zealand has not sought alliances beyond Australia and its apparent reluctance in the Five Eyes alliance. For decades, New Zealand has enjoyed a position where it can afford a small military and rely on its economy to be independent in a system governed by rules. However, recent events have challenged the rules-based order that New Zealand has depended on, and the use of force as a means of pursuing foreign policy has become a primary choice for some states. How long can New Zealand play this gamble while appearing to go it alone?

Beyond the question of New Zealand's independent foreign policy are real concerns about its military capabilities and the continuing impact of its unique geographical situation. Several cases illustrate this. First, in 2019, New Zealand was asked to supplement British patrols in the Strait of Hormuz. Then-Minister of Defence Ron Mark declared that New Zealand could not send any forces as they were still in Canada for upgrades, and it could barely keep two of its P3 Orions flying. This highlighted the issue of capability for sustained operations beyond its shores.<sup>61</sup>

The view that the NZDF is a one-stop-shop for fulfilling some of New Zealand's foreign policy objectives makes this situation particularly dire if the burden is not shared with other New Zealand government agencies, especially considering the total reduction in personnel by around 30 percent in 2023.<sup>62</sup>

Second, New Zealand's maritime domain is 20 times its land area. However, it does not yet have a coherent national plan or the capacity to comprehensively monitor this domain.<sup>63</sup> This is particularly important for New Zealand, especially given increased operations by China's Distant Water Fleets (DWF) in the Pacific.<sup>64</sup> These areas are productive for squid fishing, trawling, and long-lining. PRC fishing

<sup>&</sup>lt;sup>60</sup> Guy C. Charlton and Xiang Gao, "Re-Thinking New Zealand's Independent Foreign Policy," *The Diplomat*, 14 June 2024, https://thediplomat.com/.

<sup>&</sup>lt;sup>61</sup> Boris Jancic, "New Zealand Has No Boats to Send to Strait of Hormuz: Defence Minister Ron Mark," New Zealand Herald, 20 August 2019, https://www.nzherald.co.nz/.

<sup>&</sup>lt;sup>62</sup> "New Zealand Defence Force Tells New Minister of High Attrition, Staff Shortages," *Radio New Zealand*, 1 February 2024, https://www.rnz.co.nz/.

<sup>&</sup>lt;sup>63</sup> Joanne O'Callaghan et al., "Developing an Integrated Ocean Observing System for New Zealand," *Frontiers in Marine Science* 6 (March 2019), https://doi.org/.

<sup>&</sup>lt;sup>64</sup> According to the index by the Global Initiative Against Transnational Organized Crime, the PRC is the worst IUUF offender. Of the 152 states in the IUUF Index, PRC is rated as the worst flag state, the second-worst port state, and the worst state overall.

vessels have been accused of turning off their automatic identification system (AIS) and fishing in other nations' EEZs without consent.<sup>65</sup> Additionally, there is an indication that China intends to use these vessels as fishing militias, as it has done in Northeast and Southeast Asia.

In 2024, the PRC registered 26 China Coast Guard (CCG) vessels to operate in areas under the Western and Central Pacific Fisheries Commission Convention Area. New Zealand has the fourth-largest EEZ in the world (at 4.2 million square kilometers) and the ninth-longest coastline (at more than 15,000 kilometers). The South Pacific is vulnerable to illegal, unregulated, and unreported fishing (IUUF) by DWFs and the use of PRC's fishing militia. The significant gap in New Zealand's naval assets means it is unable to monitor this area effectively, allowing a range of threats—from gray-zone tactics and drug smuggling (the zone is considered a drug-trafficking highway) to human trafficking—to continue unabated.

Third, given New Zealand's relatively small size and limited military capability, cooperation with Australia is essential during moments of regional instability, such as the Bougainville crisis in 1997. New Zealand's defense policy and spending have largely been seen as free-riding on the efforts of larger states—initially the United Kingdom and the United States during the Cold War, and later on Australia's efforts after the relationship with the United States was downgraded. Within the range of small-state strategies, New Zealand can be viewed as *shelter-seeking*, where small states seek political, economic, and social shelter from larger states and international organizations during crises.<sup>66</sup> This approach has allowed New Zealand to do only as much as its unique interests require and as much as its larger partners will permit.<sup>67</sup>

However, the 2023 Defence Policy Strategy Statement indicates a recognition that New Zealand no longer exists in a benign strategic environment and that the NZDF cannot adequately respond to increasing security threats or defend New Zealand's territory and interests, as well as those of neighboring PICs.<sup>68</sup> The PRC's actions in the Solomon Islands and other PICs could create competing regional security architectures that New Zealand is currently unprepared to address.<sup>69</sup>

<sup>&</sup>lt;sup>65</sup> Joseph Hammond, "Chinese Fishing Fleet Poses Threat to Pacific Island Economies," *Indo-Pacific Defense Forum*, 21 June 2021, https://ipdefenseforum.com/.

<sup>&</sup>lt;sup>66</sup> Anne-Marie Brady and Baldur Thorhallsson, "Small States and the Turning Point in Global Politics," in *Small States and the New Security Environment*, ed. Anne-Marie Brady and Baldur Thorhallsson (Cham: Springer International Publishing, 2021), 5.

<sup>&</sup>lt;sup>67</sup> Mark Thomson, "New Zealand Defence Economics," in *The Cost of Defence ASPI Defence Budget Brief* 2017–18 (Canberra: Australian Strategic Policy Institute, 2017), 263–78, http://www.jstor.com/.

<sup>&</sup>lt;sup>68</sup> Defence Policy and Strategy and Statement (Wellington: Ministry of Defence, 2023), https://www.defence.govt.nz/.

<sup>&</sup>lt;sup>69</sup> Craig McCulloch and Russell Palmer, "Changing Global Tensions Prompt New Zealand to Ramp up Security and Defence Resources," *Radio New Zealand*, 3 August 2023, <a href="https://www.rnz.co.nz/">https://www.rnz.co.nz/</a>.

Three policy documents released in 2023 seem to indicate a shift in direction: the 2023 Defence Policy and Strategy Statement, the Future Force Design Principles, and New Zealand's inaugural National Security Strategy. These documents recognize that New Zealand is facing a more challenging strategic environment than it has for decades. New Zealand's 2023 Future Force Design Principles acknowledge that the NZDF will need to deploy more often and in more diverse situations due to the changing strategic environment, necessitating more government investment in the short, medium, and long term.<sup>70</sup>

New Zealand first needs to invest in its naval assets. Despite having one of the largest maritime domains, New Zealand currently has one of the smallest navies in the world, consisting of nine vessels—frigates, patrol vessels, and logistical support vessels.<sup>71</sup> In contrast, Singapore, with one of the smallest EEZs and shortest coastlines in the world, has 40 warships.<sup>72</sup> As the discussion above highlights, the NZDF's weaknesses in the maritime domain are glaring and need to be addressed immediately.

Second, in addition to increased funding, New Zealand needs to continue leveraging the NZDF's ability to be interoperable with like-minded militaries and allies. Accessing advanced technologies under Australia–United Kingdom–United States (AUKUS) Pillar Two will be critical to ensuring that the NZDF does not fall further into technical obsolescence and maintains access to cutting-edge technology in a fast-changing strategic and technological environment.<sup>73</sup>

The current framing of New Zealand potentially joining AUKUS' Pillar Two component reveals much about how foreign policy and academic circles discuss security for New Zealand, which may impact whether the NZDF will receive much-needed funding support. The pro-AUKUS camp sees its utility given China's growing assertiveness and New Zealand's vulnerability due to its lack of technological capabilities in the event of an actual conflict. Conversely, the anti-AUKUS camp views AUKUS as antithetical to New Zealand's independent foreign policy and antinuclear stance.

A third perspective argues that these initial positions miss an important point: New Zealand's role as a champion of the Blue Pacific narrative.<sup>74</sup> This view suggests

<sup>&</sup>lt;sup>70</sup> Future Force Design Principles (Wellington Ministry of Defence, 2023), https://www.beehive.govt.nz/.

<sup>&</sup>lt;sup>71</sup> A survey ship, HMNZS *Manawanui*, sank on 05 October 2024 off the coast of Samoa.

<sup>&</sup>lt;sup>72</sup> Alexander C. Tan and Neel Vanvari, "Protecting Our 'Taonga': How New Zealand Can Contribute to Regional Stability," *The Diplomat*, 26 July 2023, https://thediplomat.com/.

<sup>&</sup>lt;sup>73</sup> Reuben Steff, "The Strategic Case for New Zealand to Join AUKUS Pillar 2," *Australian Journal of International Affairs*, 2024, 1–9, https://doi.org/.

<sup>&</sup>lt;sup>74</sup> Nicholas Ross Smith and Lauren Bland, "The Aukus Debate in New Zealand Misses the Big Picture," *Australian Journal of International Affairs* (2024): 1–8, https://doi.org/.

that joining AUKUS would undermine support for Pacific priorities, framing the choice for New Zealand as one between the Pacific and the Anglosphere.<sup>75</sup>

#### Conclusion

This article argues that the NZDF's capacity in the evolving strategic environment in the Indo-Pacific has been severely hampered by years of underspending and policy conservatism. Since 1991, the trend has been a reduction of forces and continuity in policy, while restructuring has been modest. Geography, domestic politics, and specific historical junctures have shaped policymakers' views on the military and consequently, the direction of defense policy and spending.

Despite this, the NZDF plays an outsized role in supporting New Zealand's foreign policy objectives. However, this comes at the cost of its ability to contribute more to traditional security commitments and to monitor and secure the maritime domain, raising questions about its independent foreign policy. Small states like New Zealand have always been hampered by their lack of military power. Nevertheless, New Zealand has the opportunity and a compelling reason for the public to consent to increased defense spending.

On paper, New Zealand's security interests are broad and encompass a wide array of traditional and nontraditional concerns. To meet these goals, a well-equipped, highly trained, and sufficiently staffed NZDF is essential. The evolving security environment in the Indo-Pacific demands that New Zealand back its commitments with appropriate funding. •

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<sup>&</sup>lt;sup>75</sup> Marco de Jong, "Losing the Pacific to the Anglosphere: Aukus and New Zealand's Regional Engagement," *Australian Journal of International Affairs* (2024): 1–8, https://doi.org/.

# Retooling New Zealand's Independent Foreign Policy for the AUKUS Era

# Mission Impossible or Mission for a New Era?

Dr. Nicholas Khoo

#### Abstract

The consensus within New Zealand that the country's strategic environment has deteriorated over the last decade quickly breaks down on the question of how to respond to this development. It is in this context that the AUKUS technology partnership was introduced in 2021 by Australia, the United Kingdom, and the United States. This article explores the major perspectives in the discourse on New Zealand's possible participation in the Pillar II component of AUKUS. These are categorized under the rubric of "AUKUS critics" and "AUKUS advocates." The critics' views are evaluated and the merits of the alternative AUKUS advocates' perspective discussed as a more compelling alternative.

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n an August 2023 speech, New Zealand Defence Minister Andrew Little declared that "we do not live in a benign environment." This statement reflects La consensus that New Zealand's strategic environment has deteriorated over the past decade. However, consensus breaks down on how to respond to this development. This reality is evident in the contentious internal discussion regarding Wellington's potential participation in the Pillar II dimension of the AUKUS technology partnership, introduced by Australia, the United Kingdom, and the United States in September 2021. The stakes are high. If critics are right, New Zealand's participation in AUKUS will antagonize its leading trade partner, China, potentially harming the relationship. Conversely, if AUKUS advocates are right, nonparticipation in AUKUS raises the real prospect that New Zealand's alliance with Australia will atrophy, while opportunities for partnership deepening with the United States and the United Kingdom are passed over.

This article explores the major perspectives on New Zealand's participation in the nonnuclear Pillar II component of AUKUS, which fall under the categories of

<sup>&</sup>lt;sup>1</sup> Andrew Little, "Speech to Announcement of Roadmap for Future of Defence and National Security Released" (speech, Ministry of Defence, 4 August 2023), https://www.beehive.govt.nz/. Three documents were released in conjunction with the speech. These included New Zealand's first National Security Strategy, a Defence Policy Strategy, and a Future Force Design Principles.

"AUKUS critics" and "AUKUS advocates." The critics' views are evaluated, and the merits of the alternative AUKUS advocates' perspective are discussed as a more compelling alternative. In making the case for Wellington's membership in the Pillar II component of AUKUS, a realist theoretical perspective is adopted, highlighting the operation of a security-based foreign-policy strategy. This strategy is characterized by the following components:

- 1. An "alliance drift" concern and attendant focus on buttressing the Australia–New Zealand alliance;<sup>4</sup>
- 2. A threat-based attention to a wedge "divide-and-rule" strategy from China;<sup>5</sup> and
- 3. A commitment to contributing to defending an international order from which New Zealand profits.<sup>6</sup>

The upshot is that the New Zealand case highlights the operation of a rational interest-based foreign policy, where agency is increasingly sensitive to strategic context. The alternative is a high-risk foreign policy where state agency is exercised in a manner insufficiently sensitive to contemporary international realities of heightened insecurity.<sup>7</sup>

#### The AUKUS Critics

Critics of New Zealand's participation in AUKUS present four major arguments. First, it is argued that AUKUS membership jeopardizes New Zealand's independent foreign policy. Second, critics contend that membership increases the risk of entanglement. Third, association with AUKUS risks antagonizing China, New

<sup>&</sup>lt;sup>2</sup> At the outset, it should be noted that the discussion of New Zealand's participation in AUKUS is limited to the Pillar II dimension involving technology sharing. The Pillar I dimension involving cooperation on nuclear powered submarines is not analyzed here as the New Zealand government has ruled this option out.

<sup>&</sup>lt;sup>3</sup> Note that I am using neorealism as a theory of foreign policy. For the theoretical basis for this approach, see Colin Elman, "Horses for Courses: Why Not Neorealist Theories of Foreign Policy?," *Security Studies* 6, no. 1 (1996): 7–53, doi.org/.

<sup>&</sup>lt;sup>4</sup> Alexander Lanoszka, *Military Alliances in the Twenty-First Century* (Cambridge: Polity, 2022), 75–134; and Randall Schweller and David Priess, "Tale of Two Realisms: Expanding the Institutions Debate," *Mershon International Studies Review* 41, no. 1 (Spring 1997): 1–32, https://doi.org/.

<sup>&</sup>lt;sup>5</sup> Timothy Crawford, "Preventing Enemy Coalitions: How Wedge Strategies Shape Power Politics," *International Security* 35, no. 4 (Spring 2011): 155–89, https://www.jstor.org/.

<sup>&</sup>lt;sup>6</sup> Jacinda Ardern, "Prime Minister's Speech to the NZIIA Annual Conference" (speech, Office of the Prime Minister, 14 July 2021), <a href="https://www.beehive.govt.nz/">https://www.beehive.govt.nz/</a>; and Christopher Luxon, "Strategic Security Speech," (speech, Office of the Prime Minister, 19 June 2024), <a href="https://www.beehive.govt.nz/">https://www.beehive.govt.nz/</a>.

<sup>&</sup>lt;sup>7</sup> Kenneth Waltz, *Theory of International Politics* (New York: McGraw-Hill, 1979), 118.

Zealand's top trade partner. Fourth, it is claimed AUKUS membership damages New Zealand's reputation and distinct identity.

# AUKUS Membership Jeopardizes New Zealand's "Independent Foreign Policy"

Any discussion of AUKUS and New Zealand's concept of an independent foreign policy must begin with the collapse of the US–New Zealand leg of the Australia–New Zealand–United States (ANZUS) alliance in the mid-1980s. This relationship was a casualty over the Lange administration's decision to challenge the US policy of "neither confirming nor denying" the presence of nuclear-weapons technology on US naval ships visiting its allies' territories. To be sure, the relationship has significantly improved, with Prime Minister John Key declaring in 2013 that "the relationship between New Zealand and the United States has never been better." Indeed, the Biden administration's 2022 *Indo-Pacific Strategy* refers to New Zealand as one of its "leading regional partners." Nevertheless, Ronald Reagan's Secretary of State George Shultz's statement at the time of the ANZUS break in 1986, that "we remain friends, but we are no longer allies," still holds true. 12

This historical context is crucial to understanding the current AUKUS discussion. Former Prime Minister Helen Clark and former National Party leader Don Brash reject AUKUS membership for New Zealand, citing the need to maintain "the kind of independent foreign policy symbolized by our departure from the ANZUS alliance." Clark and Brash argue that involvement in AUKUS is tantamount to abandoning New Zealand's independent foreign policy. Another important voice in the AUKUS discourse states, "we haven't closed the door on it [AUKUS], but it's a considerable risk from New Zealand's point of view, because

<sup>&</sup>lt;sup>8</sup> William Tow, "The ANZUS Dispute: Testing US Extended Deterrence in Alliance Politics," *Political Science Quarterly* 104, no. 1 (Spring 1989): 117–49, https://doi.org/.

<sup>&</sup>lt;sup>9</sup> Tow, "The ANZUS Dispute," 128.

<sup>&</sup>lt;sup>10</sup> Zachary Keck, "The Interview: New Zealand's Prime Minister John Key," *The Diplomat*, 8 February 2013, https://thediplomat.com/.

<sup>&</sup>lt;sup>11</sup> *Indo-Pacific Strategy of the United States* (Washington: The White House, 2022), 9, https://www.whitehouse.gov/.

<sup>&</sup>lt;sup>12</sup> Bernard Gwertzman, "Shultz Ends U.S. Vow to Defend New Zealand," *New York Times*, 28 June 1986, https://www.nytimes.com/.

<sup>&</sup>lt;sup>13</sup> Don Brash and Helen Clark, "We Mustn't Abandon Independent Foreign Policy," *New Zealand Herald*, 13 February 2024, https://www.nzherald.co.nz/.

<sup>&</sup>lt;sup>14</sup> Brash and Clark, "We Mustn't Abandon"; Robert Patman, "The Case for New Zealand Staying on the Outside of AUKUS," *The Post*, 4 August 2023, <a href="https://www.thepost.co.nz/">https://www.thepost.co.nz/</a>; and Don Brash, "We Must Be Wary of Aligning With AUKUS," *The Post*, 14 April 2024, <a href="https://www.thepost.co.nz/">https://www.thepost.co.nz/</a>.

a lot of our credibility is [in] having [an] independent foreign policy."<sup>15</sup> Closer inspection of the critics' arguments reveals two significant problems.

First, the argument that AUKUS damages New Zealand's independent foreign policy is based on a selective focus on the post-1987 period. There is an alternative pre-1987 New Zealand foreign-policy tradition that can, with the necessary adjustment to reflect contemporary circumstances, serve as a guide for foreign policy. During the pre-1987 era, Wellington clearly pursued an independent foreign policy even while maintaining various security partnerships. These partnerships included the Cold War—era ANZUS alliance, established in 1951–1952 and rooted in the 1944 Canberra Pact, and the Five Eyes intelligence network, of which Wellington has been a partner since 1956. The point is clear—security partnerships such as AUKUS are not incompatible with an independent foreign policy. Indeed, as Jim Rolfe shows, security cooperation has always been an integral part of Wellington's foreign-policy toolbox. <sup>16</sup>

The second problem concerns the issue of interest construction in the AUKUS critics' understanding of New Zealand foreign policy. The critics' commitment to a particular ideologically-defined post-1987 ANZUS alliance interpretation of New Zealand's independent foreign policy drives their understanding of foreign-policy interests. This politically constructed foreign-policy stance rules out Wellington's AUKUS membership on the ideological basis of the US role in the partnership. Thus, New Zealand Foreign Minister Winston Peters characterizes this perspective as "ideologically-defined," supporting a "non-aligned" posture, and as containing "a strand of anti-Americanism" where "being independent means for them saying no to the United States 18 Predetermining outcomes on ideological grounds is the opposite of a strategic interest-based understanding of New Zealand's independent foreign policy. 19

<sup>&</sup>lt;sup>15</sup> Christina Persico, "Potential AUKUS Deal Could Come Between NZ and Pacific, Expert says," *Radio New Zealand*, 29 July 2023, https://www.rnz.co.nz/.

<sup>&</sup>lt;sup>16</sup> Jim Rolfe, "New Zealand's Security: Alliances and Other Relationships" Working Paper 10/97 (Wellington: Center for Strategic Studies, 1997), <a href="https://www.wgtn.ac.nz/">https://www.wgtn.ac.nz/</a>.

<sup>&</sup>lt;sup>17</sup> This is represented in the following causal diagram:

Ideologically-defined independent foreign policy concept → New Zealand's foreign policy interests

<sup>&</sup>lt;sup>18</sup> Winston Peters, "Speech to New Zealand Institute of International Affairs, Parliament, Annual Lecture: Challenges and Opportunities," (speech, Ministry of Foreign Affairs, 1 May 2024), <a href="https://www.beehive.govt.nz/">https://www.beehive.govt.nz/</a>.

<sup>&</sup>lt;sup>19</sup> In this view, New Zealand's nonideological interests determine its independent foreign policy, as represented in the causal argument below:

New Zealand's nonideological interests → Independent foreign policy concept

### AUKUS Membership Raises New Zealand's Entanglement Risks

A second argument advanced by the critics is that AUKUS membership raises the risks of entanglement for New Zealand. One AUKUS critic notes, "we are all acutely aware of changes in the geopolitical environment, but entanglement with [AUKUS] isn't the response New Zealand needs."<sup>20</sup> Another critic is more specific, asserting that AUKUS targets China and that "by joining an explicitly anti-China military alliance, we place a target on our chest in the event of war."<sup>21</sup>

What is entanglement? According to Michael Beckley, "entanglement occurs when a state is dragged into a military conflict by one or more or its alliances. The essence of entanglement is that loyalty trumps self-interest: a state is driven by moral, legal, or reputational concerns to uphold an alliance commitment without regard to, and often at the expense of, its national interests." Would New Zealand's involvement in AUKUS Pillar II raise its entanglement risks? The straightforward answer is yes. AUKUS is one of the various deterrence mechanisms in the contemporary Indo-Pacific that sustains an international order underpinning New Zealand's security. At the same time, no security arrangement is foolproof or risk-free. Foreign policy involves balancing risks. There is a risk with joining AUKUS. Equally, there are risks if New Zealand declines AUKUS membership.

It is magical thinking on the part of AUKUS critics to assume that New Zealand's noninvolvement in Australia's core security commitment for the next few decades is either risk-free or will have no deleterious effect on the alliance. For AUKUS critics to present an intellectually plausible case for nonparticipation, they must conduct a more rigorous analysis than they have currently done. This involves weighing the alleged benefits of entanglement avoidance against the costs of a less robust Australia–New Zealand alliance. Other costs and benefits must also be considered, including the increased costs of running a larger military if the alliance with Australia weakens, and the benefits New Zealand enjoys from the current international order.

Plausible alternative scenarios for New Zealand's foreign policy must be squarely faced. For example, if Wellington were to reject an invitation to join AUKUS, in the

<sup>&</sup>lt;sup>20</sup> Sam Sachdeva, "Anti-AUKUS Feeling Growing at Home," *Newsroom*, 17 April 2023, <a href="https://newsroom.co.nz/">https://newsroom.co.nz/</a>.

<sup>&</sup>lt;sup>21</sup> Don Brash, "More About AUKUS," *Bassett, Brash & Hide* (blog), 21 April 2024, https://www.bassettbrashandhide.com/.

<sup>&</sup>lt;sup>22</sup> Michael Beckley, "The Myth of Entangling Alliances: Reassessing the Security Risks of U.S. Defense Pacts," *International Security* 39, no. 4 (2015), 12, https://doi.org/.

<sup>&</sup>lt;sup>23</sup> This is different from the World War I-era Australia-New Zealand Army Corps (ANZAC) alliance, which is often used interchangeably in public discourse in Australia and New Zealand.

current era of US–China strategic competition, it would not be surprising if China offered compelling incentives to reshape New Zealand foreign policy. The purpose would be to drive a wedge in the Australia–New Zealand alliance.<sup>24</sup> China has already made several attempts to drive a wedge in various regional alliances—notably the US alliances with Australia, Japan, and South Korea. Why should the Australia–New Zealand alliance be an exception? In such a scenario, the decline in entanglement risks associated with rejecting an offer to join AUKUS Pillar II would increase wedge risks for the Australia–New Zealand alliance.<sup>25</sup>

To summarize, in this new geopolitical environment, Wellington faces a balance of risks. Entanglement risks can likely only be reduced at the cost of increasing the risks of a wedge being driven in the alliance with Australia. To offer a cogent contribution to the AUKUS discourse, critics need to provide a systematic reflection on the wedge risks to the alliance if New Zealand does not join Pillar II.

# AUKUS Membership Jeopardizes New Zealand's Relationship with Its Largest Trade Partner: China

A third argument advanced by the critics is that China's rivalry with AUKUS jeopardizes New Zealand's relationship with its largest trading partner. This raises fears among critics that Beijing will punish Wellington should New Zealand join AUKUS. Remarks by Chinese officials and AUKUS critics, featuring a Cold War-laced containment theme, demonstrate these dynamics. In response to the joint statement made by New Zealand and Australia after the February 2024 ANZMIN Defence and Foreign Ministers' meeting in Melbourne, a spokesperson from the Chinese embassy in New Zealand expressed a dark view of AUKUS, stating, "AUKUS is a stark manifestation of Cold War mentality as it seeks to establish a nuclear-related exclusive military alliance that targets third parties. It will not make the relevant parties or the wider region more secure." Paging has

<sup>&</sup>lt;sup>24</sup> Timothy Crawford, "Preventing Enemy Coalitions: How Wedge Strategies Shape Power Politics," *International Security* 35 no. 4 (Spring 2011), 155–89, https://www.jstor.org/.

<sup>&</sup>lt;sup>25</sup> This dynamic is represented in the following causal argument: ↓ Entanglement Risks  $\rightarrow$  ↑ ANZAC Wedge Risks

<sup>&</sup>lt;sup>26</sup> Richard Prebble, "It Is Lunacy to Join a Military Alliance Aimed at Our Biggest Trading Partner," *New Zealand Herald*, 17 April 2024, <a href="https://www.nzherald.co.nz/">https://www.nzherald.co.nz/</a>; Don Brash and Helen Clark, "AUKUS and New Zealand," *New Zealand Herald*, 21 June 2024, <a href="https://www.nzherald.co.nz/">https://www.nzherald.co.nz/</a>; and Marco de Jong and Robert G. Patman, "Aukus Pillar II Compromises NZ's Principled, Independent Voice," *Newsroom*, 3 April 2024, <a href="https://newsroom.co.nz/">https://newsroom.co.nz/</a>.

<sup>&</sup>lt;sup>27</sup> "Remarks by the Spokesperson of the Chinese Embassy in New Zealand on the Joint Statement on ANZMIN 2024" (press release, Chinese Embassy in New Zealand, 2 February 2024), <a href="http://nz.china-embassy.gov.cn/">http://nz.china-embassy.gov.cn/</a>.

doubled down on this position. At the 10th China Business Summit in Auckland in May 2024, China's ambassador to New Zealand characterized AUKUS as "a nuclear-based military-nature alliance openly targeting other countries" and one that "threatens to start a regional arms race." In a related op-ed piece, Wang Xiaolong critiqued AUKUS as a reflection of a "Cold War mentality." <sup>29</sup>

A Cold War theme also features in the narrative of New Zealand's AUKUS critics. It is contended that AUKUS contributes to the maintenance of the United States' military primacy and China's containment, generating practical concerns. Brash has asked, "Would China seek to punish us in some way for signing up to an explicitly anti-Chinese alliance? I don't know of course, but it would be hard to blame them if they did." The logic of this argument is that since China is New Zealand's top trade partner, joining AUKUS poses too much of a risk to the economic bottom line. Referencing the well-established economic links between the two countries, Brash and Clark note that "New Zealand has a huge stake in maintaining a cordial relationship with China." They add that "AUKUS is . . . designed to make an enemy of our largest trading partner."

Two points merit highlighting. First, the argument that AUKUS targets China, and the concern that this will ignite a regional arms race, overlooks China's significant agency as the architect of its own strategic problems. In 2009, China's regional neighbors were broadly coexisting peacefully with Beijing. However, since then, Beijing has adopted a highly assertive foreign policy, increasing tensions between China and states in Northeast Asia (Japan, South Korea), Southeast Asia (Philippines, Singapore, Vietnam among others), and South Asia (India). In 2017, the Sino-US relationship shifted from engagement to strategic competition. In effect, a countervailing coalition of like-minded states has formed. The point is clear: AUKUS is a symptom rather than the cause of current regional tensions. Moreover, Beijing exercises significant agency in this story. It can choose to exercise its agency by modifying its foreign policy to stabilize the region and defuse AUKUS's momentum.

<sup>&</sup>lt;sup>28</sup> Wang Xiaolong, "Harnessing the Potential: China's Economy and China-New Zealand Relations, 10th China Business Summit" (speech, Chinese Embassy in New Zealand, 10 May 2024), http://en.ccg.org.cn/.

<sup>&</sup>lt;sup>29</sup> Wang Xiaolong, "Why China Has a Grave Concern over AUKUS, Even Pillar II," *Newsroom*, 14 April 2024, https://newsroom.co.nz/.

<sup>&</sup>lt;sup>30</sup> Brash and Clark, "We Mustn't Abandon"; Marco de Jong and Robert G. Patman, "Problems With Pillar Two, Identity," *Otago Daily Times*, 5 April 2024, <a href="https://www.odt.co.nz/">https://www.odt.co.nz/</a>; and Alexander Gillespie, "With the AUKUS Alliance Confronting China, New Zealand Should Ramp Up Its Anti-Nuclear Diplomacy," *The Conversation*, 27 September 2021, <a href="https://theconversation.com/">https://theconversation.com/</a>.

<sup>&</sup>lt;sup>31</sup> Brash, "More about AUKUS."

<sup>&</sup>lt;sup>32</sup> Don Brash and Helen Clark, "Statement on NZ Government Jeopardising NZ's Independent Foreign Policy and Economic Security," *Helen Clark Diary* (blog), 16 July 2024, https://www.helenclarknz.com/.

<sup>33</sup> Brash and Clark, "We Mustn't Abandon."

Second, if the fear of China's response is the reason New Zealand does not join AUKUS, then Wellington has already lost a substantial part of the independence in its foreign policy. New Zealand might still call its foreign policy independent, but it will not be worthy of the name. Indeed, the AUKUS critics' excessive focus on China in assessing economic costs and benefits is misplaced. In their fixation with New Zealand's trade dependency with China, critics have overlooked the fact that Wellington's economic ties with the United States, and US treaty allies Australia, the United Kingdom, Japan, and South Korea are even *more* extensive than those with China. According to World Bank figures for 2022, China is New Zealand's leading trade partner, with 31.43 percent of the New Zealand trade pie. A review of the AUKUS partners' trade with New Zealand, including the next two likely new AUKUS entrants, Japan and South Korea, reveals that this represents 34.2 percent of the country's trade pie.<sup>34</sup> The conclusion is clear: a concern for New Zealand's security should lead AUKUS critics to a more balanced approach, reflecting on the implications of Wellington's trade dependence on its non-China partners' economic and military concerns. These are equally important to Wellington's security.

# AUKUS Membership Will Damage New Zealand's Identity and Reputation

A fourth critique of New Zealand's AUKUS membership interest is that this will inflict damage on the country's reputation and distinct identity as a nonnuclear state committed to nuclear nonproliferation and an international rules-based order featuring a central role for multilateralism. One critic points to "New Zealand's evolving sense of national identity—anchored in the Pacific—[that] has generated a distinctive worldview" as a reason not to participate in AUKUS.<sup>35</sup> In this perspective, an identity-based worldview significantly influences New Zealand's foreign policy. Accordingly, "this worldview brings with it certain commitments, including to regional security, that is expansive, nonnuclear, Pacific-led, and takes climate-change to be the principal threat to life and livelihood. AUKUS does not reflect or respect these values." Moreover, "even if New Zealand joined AUKUS in a non-nuclear fashion, technically, it may be seen through the eyes of others as diluting our commitment to that (non-nuclear) norm." The conclusion is that "staying outside AUKUS would avoid reputational damage to New Zealand's non-nuclear security

<sup>&</sup>lt;sup>34</sup> The breakdown is as follows: Australia 12.54 percent (no. 2), United States 10.64 percent (no. 3), Japan 5.64 percent (no. 4), South Korea 3.15 percent (no. 5), United Kingdom 2.23 percent (no. 6). The figures are from the World Bank at: https://wits.worldbank.org/.

<sup>&</sup>lt;sup>35</sup> De Jong and Patman, "Problems with Pillar Two."

<sup>&</sup>lt;sup>36</sup> De Jong and Patman, "Problems with Pillar Two."

<sup>&</sup>lt;sup>37</sup> As cited in Persico, "Potential AUKUS Deal."

policy in the eyes of other states."<sup>38</sup> Other aspects of the argument involve claims that AUKUS is a "military alliance" or a "strategic alliance."<sup>39</sup> It has even been inaccurately asserted that AUKUS is "based on nuclear weapons."<sup>40</sup> There are two responses to these arguments.

First, the many inaccuracies in the characterization of AUKUS in the New Zealand discourse highlighted above impede productive discussion on a critical national security issue. An attempt is therefore made here to correct these inaccuracies. Any New Zealand participation in AUKUS will be exclusively in the Pillar II phase, which, like Pillar I, does not involve nuclear weapons. Pillar II features a variety of nonnuclear advanced technologies in eight areas, ranging from artificial intelligence to quantum technology. Contrary to inaccurate claims by critics, AUKUS is an Australian-initiated technology-sharing partnership, not an alliance. An alliance involves formal treaty obligations that far outweigh those of a partnership. This distinction is critical and has legal and practical significance.

Furthermore, the submarines to be acquired by Australia under Pillar I contain nuclear propulsion technology and are not armed with nuclear weapons. On the containment point, AUKUS was created to restore regional stability in response to China's rise and is not principally designed to contain China. <sup>42</sup> Indeed, the use of the Cold War–era containment concept uncritically accepts and repeats Beijing's characterization of contemporary regional security. <sup>43</sup> Finally, fears that AUKUS undermines nuclear disarmament norms by raising nuclear proliferation concerns overlooks the fact that Australia is an upstanding member of the Non-Proliferation Treaty and is consulting closely with the International Atomic Energy Agency on AUKUS. <sup>44</sup> Moreover, when Pillar II membership was proposed in March 2023, New Zealand Defence Minister Andrew Little specifically clarified that New

<sup>&</sup>lt;sup>38</sup> Patman, "The Case for New Zealand Staying on the Outside of AUKUS."

<sup>&</sup>lt;sup>39</sup> Brash, "More About AUKUS."

<sup>&</sup>lt;sup>40</sup> See Clark's X tweet that "there appears to be an orchestrated campaign on joining the so-called 'Pillar 2' of #AUKUS which is a new defence grouping in the Anglosphere with hard power based on nuclear weapons. #NZ removed itself from such a vice when it adopted its #nuclear free policy," <a href="https://x.com/">https://x.com/</a>. Nicholas Khoo, New Zealand Foreign Needs a Debate – Not Tweets—On Foreign Policy," *Newsroom*, 8 August 2023, <a href="https://newsroom.co.nz/">https://newsroom.co.nz/</a>.

<sup>&</sup>lt;sup>41</sup> Thomas Coughlan, "AUKUS 'Not An Alliance'—British High Commissioner," *New Zealand Herald*, 14 May 2024, https://www.nzherald.co.nz/.

<sup>&</sup>lt;sup>42</sup> De Jong and Patman, "Problems with Pillar Two."

<sup>&</sup>lt;sup>43</sup> Melvyn P. Leffler, "China Isn't the Soviet Union. Confusing the Two is Dangerous," *The Atlantic*, 3 December 2019, https://www.theatlantic.com/; and Wang, "Why China Has a Grave Concern."

<sup>&</sup>lt;sup>44</sup> De Jong and Patman, "Aukus Pillar II Compromises"; and Patman, "Why New Zealand Should Remain Sceptical." See also, the Australian Foreign Minster's comment on this issue: Penny Wong, "AUKUS Won't Undermine Australia's Stance Against Nuclear Weapons," *The Guardian*, 23 January 2023, <a href="https://www.theguardian.com/">https://www.theguardian.com/</a>.

Zealand's membership "would not compromise our legal obligations and our moral commitment to a nuclear-free Pacific." 45

Second, a state's reputational identity and worldview is dynamic. Far from being set in stone, all states' identities develop over time. Moreover, state agency is a variable and should neither be minimized nor exaggerated. Contrary to the impression conveyed by critics, no state completely determines its foreign policy, which depends on context and is a function of domestic and international factors. All states exist within prevailing international and domestic structures, and the impact of these structures cannot be wished away or ignored without cost. New Zealand's AUKUS discourse highlights the type of agency Wellington seeks to play in the Indo-Pacific in the twenty-first century. On this point, Wellington's foreign-policy environment in 2024 is significantly different from the era from the break in the US–New Zealand leg of the ANZUS alliance in 1987 to the onset of US–China strategic competition in 2017. Will Wellington's agency consist exclusively of the foreign-policy aspects advocated by AUKUS critics? Or, will New Zealand's foreign-policy role be redefined to include aspects present in the pre-1987 era but deemphasized in the 1987–2017 era?

Greater political attention is needed to raise public awareness and engagement on these questions. Preliminary polling on the New Zealand public's perspective on AUKUS shows low awareness of the issue, with just 43 percent having heard of the partnership. <sup>46</sup> As it stands, among those aware of AUKUS, twice as many support exploratory talks and investigations on membership as those who oppose it. <sup>47</sup> The subsequent section on the views of AUKUS proponents will explore how New Zealand's AUKUS membership can contribute meaningfully to its security and the wider Indo-Pacific region in which it is a stakeholder.

# **AUKUS Proponents**

AUKUS proponents offer two inherently political arguments in favor of New Zealand seriously considering membership in Pillar II. First, AUKUS membership represents a more valuable contribution to regional stability than nonmembership. Second, AUKUS membership is a valuable investment in the New Zealand–Australian alliance, which will either be retooled for a new era or atrophy. One key aspect of this retooling is a focus on alliance cooperation to ensure

<sup>&</sup>lt;sup>45</sup> Jane Peterson, "AUKUS Participation Talks Highlight New Zealand's Nuclear-free Status," *Radio New Zealand*, 29 March 2023, https://www.rnz.co.nz/.

<sup>&</sup>lt;sup>46</sup> Sam Sachdeva, "Aukus Polling Shows Partisan Divide, Low Awareness," *Newsroom*, 12 September 2024, https://newsroom.co.nz/.

<sup>&</sup>lt;sup>47</sup> Sachdeva, "Aukus Polling Shows Partisan Divide."

stability in the Pacific Island region, where China has shown increasing interest in extending its security footprint, exemplified by the China-Solomon Islands agreement of 2022. Another aspect is New Zealand's role in Pillar II of AUKUS.

### New Zealand's Contribution to Regional Stability

New Zealand's AUKUS proponents view the critics as prematurely dismissing the opportunities offered by AUKUS membership. For AUKUS proponents, a state's agency must be seen in the context of the structural (both domestic and international) environment, which significantly conditions policy outcomes. Unlike critics, proponents believe it is imperative to look beyond New Zealand's post-1987-2017 foreign-policy history for ideas to address contemporary strategic circumstances.<sup>48</sup> As stated earlier in this article, there is an alternative tradition in New Zealand's foreign policy, rooted in the ANZUS era (1951–1986), that can be drawn on to construct a retooled foreign policy for a new era of heightened security challenges. New Zealand's participation in Pillar II of AUKUS stakes out a clear position in favor of a security partnership with Australia, the United Kingdom, and the United States.<sup>49</sup> This perspective resonates with Prime Minister Christopher Luxon's recent statement that "we welcome AUKUS as an initiative to enhance regional security and stability."50

That said, AUKUS represents only one component in a multipronged attempt to stabilize the Indo-Pacific region. Other components include maintaining a robust relationship with China even while expanding cooperation with multiple regional partners, ranging from Japan and South Korea in Northeast Asia, to states in Southeast Asia (both bilaterally and multilaterally through the Association of Southeast Asian Nations) and India in South Asia. This understanding of New Zealand's foreign policy seeks to incorporate the Luxon administration's perspective that "prosperity is only possible with security" and endeavors to contribute to regional stability through attention to both traditional and nontraditional security instruments.<sup>51</sup> This alternative understanding of New Zealand's foreign-policy role is

<sup>&</sup>lt;sup>48</sup> Reuben Steff, "AUKUS + NZ = win-win," The Interpreter, 1 May 2023, https://www.lowyinstitute.org/; Reuben Steff, "The Strategic Case for New Zealand to Join AUKUS Pillar II," Australian Journal of International Affairs, (forthcoming), https://doi.org/; Nicholas Khoo "Where To Next For The AUKUS Ruckus?," Newsroom, 8 May 2024, https://newsroom.co.nz/; and Nicholas Khoo, "Critics of NZ Joining AUKUS Need To Answer a Crucial Question: What Exactly is An Independent Foreign Policy?," The Conversation, 28 March 2024, https://theconversation.com/.

<sup>&</sup>lt;sup>49</sup> Nicholas Khoo, "AUKUS Engagement Has More Benefits Than Risks," Newsroom, 15 April 2023, https://www.newsroom.co.nz/.

<sup>&</sup>lt;sup>50</sup> Luxon, "Strategic Security Speech."

<sup>&</sup>lt;sup>51</sup> Luxon, "Strategic Security Speech."

anchored in the suite of government reports released in 2023.<sup>52</sup> It is fully cognizant of the country's responsibilities as a Pacific nation, according a central role to its membership in the Pacific Islands Forum. Such a role represents neither a hedging, nonalignment, bandwagoning, nor zigzagging vision for New Zealand foreign policy.<sup>53</sup>

# Future-Proofing the New Zealand-Australia Alliance

The New Zealand–Australia alliance is currently operating in a new era of heightened security concerns to which AUKUS critics are simply insufficiently sensitive to. AUKUS's emergence reflects a new era of great-power politics where small states have sought to fortify their security in various ways. The Ministry of Foreign Affairs & Trade's (MFAT) June 2023 three-year strategic assessment document chronicles a deteriorating international environment characterized by three significant shifts: a movement from rules to power, from economics to security, and from efficiency to resilience. The report is clear that New Zealand's alliance relationship with Australia and security partnerships with the US and other key partners remain vital in this changing environment. In particular, it highlights that New Zealand has an indispensable relationship with Australia. This explains why current New Zealand Defence Minister Judith Collins stated, any threat to Australia is a threat to us.

But has New Zealand's level of investment in the alliance matched the characterization of the relationship cited above? Whatever New Zealand's self-perceptions may be, it must recognize that as Canberra tools up for this era, it has reasonable concerns about Wellington's investment in the alliance. On this point, the late

<sup>&</sup>lt;sup>52</sup> Secure Together: New Zealand's National Security Strategy 2023-2028 (Wellington: Department of Prime Minister and Cabinet [DPMC], 2023), https://www.dpmc.govt.nz/; Navigating a Shifting World (Wellington: New Zealand Ministry of Foreign Affairs & Trade [NZ MFAT], 2023), https://www.mfat.govt.nz/; New Zealand's Security Threat Environment 2023 (Wellington: New Zealand Security Intelligence Service [NZSIS], 2023), https://www.nzsis.govt.nz/; and Defence Policy and Strategy Statement 2023 (Wellington: New Zealand Ministry of Defence [NZ MOD], 2023). https://www.beehive.govt.nz/.

<sup>&</sup>lt;sup>53</sup> Nicholas Ross Smith, "New Zealand's Grand Strategic Options as the Room for Hedging Continues to Shrink," *Comparative Strategy*, 41 no. 3 (2022): 314–27, https://doi.org/.

<sup>&</sup>lt;sup>54</sup> Thus, El Salvador and Singapore have invested in a robust nonalliance security cooperation with the United States; Estonia, Latvia and Lithuania have doubled-down on the NATO alliance; and Djibouti has expanded security ties with a variety of states, leveraging the country's strategic location by offering use of its territory.

<sup>&</sup>lt;sup>55</sup> Navigating a Shifting World, 18.

<sup>&</sup>lt;sup>56</sup> Navigating a Shifting World, 28.

<sup>&</sup>lt;sup>57</sup> Navigating a Shifting World, 36.

<sup>&</sup>lt;sup>58</sup> Jamie Ensor, "Increasing' Threats to NZ Security, Ministry Warns, as Judith Collins Appoints New Defence Chiefs," *New Zealand Herald*, 28 August 2024, https://www.nzherald.co.nz/.

Gerald Hensley, New Zealand Secretary of Defence (1991–1999) and Head of the Prime Minister's Department (1980–1986), speaks clearly. Writing in 2023, Hensley noted that "our security is still tied to Australia's but as the long peace (after the Cold War) has endured, we have given up on carrying our share of the common defence burden....The outcome is that Australia no longer sees us as a reliable defence partner."59 If this sounds alarmist, it should not. The first and only mention of New Zealand in the 2023 Australian Defence Strategic Review is on page 46.60 Canberra's defense planners are tasked to think clearly and plan accordingly. After all, the essence of an alliance is the obligation to come to a partner's aid in the event of an attack on either partner's territory or its military. This is explicitly stated in Article Five of the ANZUS Treaty, which underpins the Australian alliance with New Zealand.<sup>61</sup>

Wellington's participation in the Pillar II component of AUKUS is an opportunity for reinvigorating the alliance. As Prime Minister Luxon has stated, New Zealand is "committed to remaining a credible and effective ally and partner." 62 The analysis below focuses on two mutually reinforcing points: first, a shared imperative of maintaining security in the Pacific Islands region as part of a reinvigorated alliance solidified by cooperation in AUKUS; and second, the imperative for bolstering alliance interoperability with Canberra.

# Australian-New Zealand Cooperation in the Pacific Islands Region

No country can be secure if its immediate periphery is unstable. By dint of geographic proximity, the Pacific Islands region represents a core security interest for both New Zealand and Australia, and an arena for future cooperation. Both Wellington and Canberra are founding members of the region's core institution, the Pacific Islands Forum, established in 1971. Together, they account for close to half of the area's official development assistance (Australia contributes 40 percent and New Zealand 9 percent).<sup>63</sup> Other interdependencies exist. Both New Zealand and Australia have deployed personnel to the Pacific Islands region to restore stability on a number of occasions in recent decades. Between 1993 and 2003, Australia, New Zealand, Tonga, Vanuatu, and Fiji participated in three

<sup>&</sup>lt;sup>59</sup> Gerald Hensley, "How Will A Self-Absorbed New Zealand Face China's Growing Power?," The Post, 3 June 2023, https://www.thepost.co.nz/.

<sup>&</sup>lt;sup>60</sup> National Defence: Defence Strategic Review (Canberra: Department of Defence, 2023), 46, https://www .defence.gov.au/.

<sup>61 &</sup>quot;Security Treaty Between the United States, Australia, and New Zealand (ANZUS); September 1, 1951," https://avalon.law.yale.edu/.

<sup>62</sup> Luxon, "Strategic Security Speech."

<sup>63</sup> Lowy Institute, "Pacific Aid Map," 2024, https://pacificaidmap.lowyinstitute.org/.

peacekeeping missions to stabilize the situation arising from the Bougainville crisis in Papua New Guinea from 1988 to 1998.<sup>64</sup> From 2003 to 2017, together with Australia and six other Pacific nations, New Zealand was part of a Regional Assistance Mission to the Solomon Islands (RAMSI) force that restored stability in the Solomon Islands.<sup>65</sup> Australian and New Zealand military personnel were deployed again after instability rocked the Solomon Islands from 2021 to 2024.<sup>66</sup>

Wellington and Canberra are coming to a new understanding that the Pacific Island region's security cannot be taken for granted. In April 2022, news reports emerged that China and the Solomon Islands had signed a five-year security agreement. Australia's shadow Foreign Minister at the time, Penny Wong, characterized this development as the worst "foreign policy blunder" since World War II. Then—New Zealand Prime Minister Jacinda Ardern also registered disapproval. During a specially scheduled interview with the BBC during a visit to Singapore, Ardern stated that this development was "gravely concerning," and questioned why the Solomon Islands looked to China, an extraregional power, to meet its security concerns. According to Ardern, New Zealand and Australia have "highlighted that should any extended need exist, we are there to help and support. What gap remains that requires such an agreement with China?"

Indeed, the October 2000 Biketawa Declaration agreed upon by the Solomon Islands and 17 other Pacific Islands Forum members (including New Zealand) already constitutes a framework for pursuing collective responses to security crises. The declaration notes "the vulnerability of member countries to threats to their security, broadly defined" and emphasizes "the importance of cooperation among members in dealing with such threats when they arise." <sup>71</sup> The China–Solomon

<sup>64 &</sup>quot;Bougainville: Peace Without Guns," New Zealand Navy, n.d., https://www.nzdf.mil.nz/.

<sup>&</sup>lt;sup>65</sup> Anna Powles, "Finding Common Ground: New Zealand and Regional Security Cooperation in the Pacific," in *Regionalism, Security & Cooperation in Oceania*, ed. Rouben Azizian and Carleton Cramer (Honolulu: Asia-Pacific Center for Security Studies, 2015), 88.

<sup>66 &</sup>quot;Solomon Island Deployment Concludes," New Zealand Navy, 1 August 2024, https://www.nzdf.mil.nz/.

<sup>&</sup>lt;sup>67</sup> The final agreement is not publicly available at this time. However, a leaked draft states that "China may, according to its own needs and with the consent of the Solomon Islands, make ship visits to carry out logistics replenishment in, and have stopover and transition in the Solomon Islands." See document on X, uploaded by Dr. Anna Powles, an academic at Massey University: <a href="https://twitter.com/">https://twitter.com/</a>.

<sup>&</sup>lt;sup>68</sup> Josh Butler and Daniel Hurst, "Solomon Islands-China Pact is Worst Policy Failure in Pacific Since 1945, Labor Says," *The Guardian*, 20 April 2022, <a href="https://www.theguardian.com/">https://www.theguardian.com/</a>.

<sup>&</sup>lt;sup>69</sup> Eva Corlett and Daniel Hurst, "Jacinda Ardern Questions Motive for China-Solomons Security Pact," *The Guardian*, 21 April 2022, https://www.theguardian.com/.

<sup>&</sup>lt;sup>70</sup> Corlett and Hurst, "Jacinda Ardern Questions Motive."

<sup>&</sup>lt;sup>71</sup> Pacific Islands, Forum Secretariat, "Biketawa Declaration," Kirabati, 28 October 2000, <a href="https://forumsec.org/">https://forumsec.org/</a>.

Islands security agreement contravenes the spirit, if not the letter, of the declaration. This explains why New Zealand responded on 31 May with a strong joint statement released after Ardern's meeting in the White House with President Joe Biden, expressing shared concern with the China–Solomon Islands agreement.<sup>72</sup>

In response to these developments, Beijing doubled down.<sup>73</sup> On 31 May 2022, during a speech at the New Zealand China Council, China's Ambassador to New Zealand, Wang Xiaolong, implicitly linked New Zealand's response to the Solomon Islands to the overall bilateral relationship. Wang highlighted New Zealand-China trade interests and called for greater care to be taken. He noted, "In China, there is widespread cognisance of New Zealand as a green, clean, open and friendly country. This very positive national branding is one of the most valuable assets of our relationship, and arguably the most potent marketing tool for all products and services from New Zealand."<sup>74</sup> Then came Beijing's reminder that its goodwill is conditional. According to Wang, "we have to keep in mind, though, that this asset of ours did not come out of nowhere or as a matter of course, but has been slowly built up with hard work over the years from both sides. Nor can it be taken for granted."<sup>75</sup>

To buttress the point, on 1 June, Zhao Lijian, a spokesman with China's Ministry of Foreign Affairs, critiqued the Ardern-Biden statement. According to Zhao, the Ardern-Biden joint statement reflects "the deep-rooted US hegemonic mentality" and was made "out of ulterior motives to create disinformation and attack and discredit China."<sup>76</sup> He further added, "we hope New Zealand will adhere to its independent foreign policy and do more to enhance security and mutual trust among regional countries and safeguard regional peace and stability."77

Wellington's and Canberra's concerns remain. In mid-July 2023, Solomon Islands Prime Minister Manasseh Sogavare announced that China will "fill the gap" after Australia and New Zealand allegedly suddenly withdrew funding to the Solomons.<sup>78</sup> This development confirms the prescience of the various New Zealand government national security reports released in 2023. In particular, the 2023 New Zealand

<sup>&</sup>lt;sup>72</sup> "United States-Aotearoa New Zealand Joint Statement" (press release, The White House, 31 May 2022), https://www.whitehouse.gov/.

<sup>73</sup> Jun Mai, "Cosy China-New Zealand Relations Cannot Be Taken for Granted, Beijing's Ambassador Warns," South China Morning Post, 3 June 2022, https://www.scmp.com/.

<sup>&</sup>lt;sup>74</sup> Wang Xiaolong, "China's Foreign Policy and China–NZ Relationship in a Changing World" (speech, Chinese Embassy in New Zealand, 31 May 2022), https://www.mfa.gov.cn/.

<sup>75</sup> Wang, "China's Foreign Policy and the China-NZ Relationship."

<sup>&</sup>lt;sup>76</sup> Zhao Lijian, "Foreign Ministry Spokesperson Zhao Lijian's Regular Press Conference on June 1, 2022" (press conference, PRC Ministry of Foreign Affairs, 1 June 2022), https://www.mfa.gov.cn/.

<sup>&</sup>lt;sup>77</sup> Zhao, "Foreign Ministry Spokesperson Zhao Lijian's Regular Press Conference."

<sup>&</sup>lt;sup>78</sup> Ben Doherty, "China To 'Fill The Gap' in Solomon Islands Budget as PM Blasts 'Unneighborly' Australia, and US," The Guardian, 17 July 2023, https://www.theguardian.com/.

Defence Policy and Strategy Statement underlined that "over recent years the Pacific has become increasingly significant as a theater for strategic competition. The Chinese government in particular has sought to grow its political, economic, and security influence in the Pacific at the expense of more traditional partners such as New Zealand and Australia." This perspective informs the imperative for alliance interoperability discussed below.

# Alliance Interoperability

At a major speech in Tokyo in June 2024, Prime Minister Luxon emphasized that "strengthening interoperability with our ally Australia will be a central principle of our capability decisions." There are genuine and significant opportunities for bolstering alliance interoperability with Canberra. Before discussing these opportunities, it is necessary to provide the political context. A reinvigorated alliance will occur in the context of an adverse international environment that has seen the direct application of Chinese coercive diplomacy against Australia.

Wellington's political Richter scale went haywire after Beijing responded to then–Australian Prime Minister Scott Morrison's April 2020 formal call for an independent World Health Organization inquiry into the origins of the Coronavirus pandemic with an array of economic sanctions. In November 2020, the Chinese ambassador to Australia passed on to the Australian media a list of "fourteen grievances" it had with the Morrison government's China policy, which it required Canberra to satisfactorily address before relations could be restored. This prompted Morrison to declare that Australia's values, democracy, and sovereignty are "are not up for sale." Even as Chinese sanctions were increasing in intensity, on 2 July 2021, New Zealand Foreign Minister Nanaia Mahuta referred to Australia as "our closest foreign policy and security partnership." It is in this context that the Morrison government announced the formation of

<sup>&</sup>lt;sup>79</sup> Defence Policy and Strategy Statement 2023, 14.

<sup>80</sup> Luxon, "Strategic Security Speech."

<sup>&</sup>lt;sup>81</sup> Helen Davidson and Paul Karp, "China Bristles at Australia's Call for Investigation into Coronavirus Origin," *The Guardian*, 29 April 2020, https://www.theguardian.com/; and "The deterioration of Australia–China relations," *Strategic Comments* 26 no. 3 (2020): v–viii, https://doi.org/.

<sup>&</sup>lt;sup>82</sup> Daniel Hurst, "China's Infamous List of Grievances with Australia 'Should Be Longer Than 14 points', Top Diplomat Says," *The Guardian*, 19 November 2021, https://www.theguardian.com/.

<sup>&</sup>lt;sup>83</sup> Jason Scott, "Australia PM Defiant After China Airs 14 Grievances," *Bloomberg*, 19 November 2020, https://www.bloomberg.com/.

<sup>&</sup>lt;sup>84</sup> Nanaia Mahuta, "Navigating a New Normal, Speech to the 55th Otago Foreign Policy School" (speech, Ministry of Foreign Affairs, 2 July 2021), https://www.beehive.govt.nz/.

AUKUS on 15 September 2021. 85 Following Anthony Albanese's election in Australia in May 2022, Beijing doubled down on its sanctions policy, initially rebuffing calls from the newly elected government to drop tariffs. 86 The open conflict between New Zealand's sole treaty ally and its top trade partner was marked by no open comment from Wellington at the time. Nevertheless, China's treatment of Australia, has driven home to New Zealanders the less benign side of China's rise in ways that no amount of speeches or visits by officials or leaders could ever do. Beginning in late 2022, a cautious rapprochement occurred in Australian—China relations. 87

It is in this context that alliance interoperability has assumed increased importance and urgency. AUKUS Pillar II is clearly one pathway for improving alliance interoperability, not least since its eight identified working group sectors have military technology implications. In the absence of AUKUS partnership status, on the technology front, it is likely that New Zealand will simply drift further and further from the AUKUS states, and Australia in particular. This will invariably lead to a technology gap between New Zealand and Australian militaries and security agencies, which will widen over time, contributing to alliance divergence. Clearly, there is the issue of how exactly New Zealand can contribute to Pillar II. Reuben Steff has identified a list of New Zealand firms that can participate in Pillar II.88 These include firms with expertise ranging from space launching, artificial intelligence, aeronautical and marine systems, cybersecurity, object detection, optical design, and motion simulation. Ultimately, the decision to join AUKUS Pillar II is a political one. While New Zealand can offer niche assets such as advantages in rocket launch capabilities which are a function of its geography, it is the politics of technology rather than its technological capabilities that is the critical factor.

#### Conclusion

As a small, trade-focused state, the relatively benign post-Cold War US-centric international order from 1991 to 2017 allowed New Zealand to double down on an economic-centric form of liberal globalization. That era has been replaced by a more adversarial one, where technological cooperation, as represented by AUKUS,

<sup>&</sup>lt;sup>85</sup> "Remarks by President Biden, Prime Minister Morrison of Australia, and Prime Minister Johnson of the United Kingdom Announcing the Creation of AUKUS" (press release, The White House, 15 September 2021), https://www.whitehouse.gov/.

<sup>&</sup>lt;sup>86</sup> Michael Smith, "China Defiant on Australian Trade Sanctions," *Australian Financial Review*, 23 June 2022, https://www.afr.com/.

<sup>&</sup>lt;sup>87</sup> Giulia Interesse and Yi Wu, "China-Australia Relations: Trade, Investment, and Latest Updates," *China Briefing*, 16 August 2024, https://www.china-briefing.com/.

<sup>88</sup> Steff, "The Strategic Case," 6.

plays a more significant role. This article has two aims. The first is to review the arguments challenging Wellington's participation in the Pillar II component of AUKUS. The four major reasons proposed for rejecting membership are found to be highly problematic. The second aim is to make the case for New Zealand's AUKUS membership, based on Wellington's contribution to stability in the Indo-Pacific and future-proofing the New Zealand-Australia alliance.

Moving forward, plausible future foreign-policy options for New Zealand regarding AUKUS and the alliance with Australia include:

- 1. AUKUS Pillar II membership fortified by Wellington's alliance with Canberra;
- 2. A New Zealand that is not a member of AUKUS but is sympathetic to its aims and retains its alliance with Australia; and
- 3. Nonmembership in AUKUS, with an increasingly critical viewpoint developing internally, leading to a drift in the alliance with Australia—raising the possibility of a reluctant abrogation as the imperatives of international politics force hard choices.

Whatever decision is made by New Zealand on AUKUS membership, it will be a fateful one. •

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# Hurting, Not Helping

# New Zealand's Values-based Foreign Policy and its ASEAN Relationship

Dr. Orson Tan

#### **Abstract**

In pursuit of its "independent" foreign policy, New Zealand often likes to harp on the fact that the guiding principle to its interaction with the world is rooted in the liberal values that it believes in, resulting in a "values-based" foreign policy that is less pragmatic and more normative idealistic. Under the Ardern government, New Zealand had often highlighted its commitment to this values-based approach, with then-Foreign Minister Nanaia Mahuta having spoken of an indigenous foreign policy guided by Māori principles to underpin New Zealand's commitment to the liberal values. The importance of values to New Zealand was signaled most strongly in the US-Aotearoa New Zealand Joint Statement released in 2022 where Ardern reaffirmed New Zealand's commitment to defending the international rules-based order and the liberal values that underpin it. Yet as the geopolitical environment continues to evolve under the tension of great power strategic competition, New Zealand has found itself having to acknowledge a new security environment, one in which it is required to actively seek out partnerships to balance its worries. It is in this situation that New Zealand's values-based approach is proving to be an obstacle to the addressing its security concerns, especially in the Southeast Asian region that is its closest neighbor. This article aims to examine why New Zealand's traditional focus on values has fallen on deaf ears in Southeast Asia and what it can do to address its partnerships in this crucial region.

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In the twenty-first century, contemporary global politics has shifted dramatically since the end of the Cold War. The onset of US-China strategic competition has shattered post-Cold War stability. Clearly, as Carla Norloff wrote, "the return of great power rivalry" is the defining feature of the twenty-first century, and this intensifying strategic competition "permeates almost all aspects of world politics." Since 2018, this rivalry has created an milieu where the two top players compete, maintaining a sizable gap from the rest of the world. Beneath them, other

<sup>&</sup>lt;sup>1</sup> Carla Norrlöf, "The Ibn Khaldûn Trap and Great Power Competition with China," *Washington Quarterly* 44, no. 1 (2021), 7, https://doi.org/.

<sup>&</sup>lt;sup>2</sup> Sabine Mokry, "Grand strategy and the construction of the national interest: the underpinnings of Sino-US strategic competition," *International Politics* 61 (2023): 742–60, https://doi.org/.

powers vie for space and security, <sup>3</sup> leaving small states like Aotearoa New Zealand the most affected, as their traditional strategic environment changes.<sup>4</sup>

In fact, the 2023 New Zealand Strategic Foreign Policy Assessment highlights the challenges New Zealand faces, emphasizing that the global outlook is "experiencing heightened strategic tension." The report points out that New Zealand has traditionally seen itself "protected by its geography and a relatively peaceful Pacific region" but the country's "interconnectedness with the world" and the "evolution of new threats" mean that New Zealand is affected by this increasingly complex international environment as much as any other nation. Additionally, the Indo-Pacific region, which New Zealand calls home, is now becoming the "central global theatre for strategic competition." As a result, the Pacific region is "no longer strategically benign," and countries in the region face "a number of shared challenges to regional stability and security." This changing nature of the region has prompted New Zealand to pursue an independent foreign policy focused on building partnerships and relationships, driven by its essential and enduring interests.

Additionally, in pursuit of its independent foreign policy, New Zealand has rooted its interests in liberal values, resulting in a "values-based" foreign policy that's more normatively idealistic. <sup>10</sup> Under the Jacinda Ardern's Labour government, New Zealand ften highlighted its commitment to this values-based approach, with then-Foreign Minister Nanaia Mahuta speaking of an indigenous foreign policy guided by Māori principles to underpin this commitment. <sup>11</sup> The importance of values to New Zealand was strongly signaled in the 2022 US–Aotearoa New Zealand Joint Statement, where Prime Minister Ardern reaffirmed New Zealand's commitment to defending the international rules-based order and the liberal values underpinning it. <sup>12</sup>

<sup>&</sup>lt;sup>3</sup> Bruce Jones, "China and the return of great power strategic competition," *Global China*, February 2020, https://www.brookings.edu/.

<sup>&</sup>lt;sup>4</sup> Chih-Mao Tang, Small States and Hegemonic Competition in Southeast Asia: Pursuing Autonomy, Security and Development amid Great Power Politics (New York: Routledge, 2018).

<sup>&</sup>lt;sup>5</sup> 2023 Strategic Foreign Policy Assessment (Wellington: Ministry of Foreign Affairs and Trade, 2023), 14

<sup>&</sup>lt;sup>6</sup> Ministry of Foreign Affairs and Trade, Short 2023 Strategic Foreign Policy Assessment, 14.

<sup>&</sup>lt;sup>7</sup> 2023 Strategic Foreign Policy Assessment, 14.

<sup>&</sup>lt;sup>8</sup> 2023 Strategic Foreign Policy Assessment, 14.

<sup>&</sup>lt;sup>9</sup> 2023 Strategic Foreign Policy Assessment, 11.

<sup>&</sup>lt;sup>10</sup> 2023 Strategic Foreign Policy Assessment, 11.

<sup>&</sup>lt;sup>11</sup> James Blackwell, "Foreign policy's 'Indigenous moment' is here," *The Interpreter*, 12 February 2021, https://www.lowyinstitute.org/.

<sup>&</sup>lt;sup>12</sup> "United States – Aotearoa New Zealand Joint Statement" (press release, The White House, 31 May 2022), https://www.whitehouse.gov/.

However, this values-based approach seems to be an obstacle to achieving closer partnerships, particularly in Southeast Asia, its closest neighbor besides Australia. Southeast Asia is critical to New Zealand's security and prosperity, <sup>13</sup> yet a closer partnership with ASEAN and its member states has not developed. Earlier this year, reports indicated that Southeast Asian officials felt New Zealand needed to play a bigger role in the region. <sup>14</sup> In the 2024 State of Southeast Asia survey released by the ISEAS–Yusof Ishak Institute, Aotearoa ranked last in strategic relevance among ASEAN Dialogue partners, behind Russia and Canada, indicating weaker ties to the region. <sup>15</sup> This is despite, as the report noted, Aotearoa "maintaining amicable relations with ASEAN." <sup>16</sup> In fact, New Zealand's insistence on a values-based foreign policy has caused frustration and unsettlement among Southeast Asian governments. <sup>17</sup>

This article seeks to examine why New Zealand's values-based foreign policy has not gained traction in a region that Aotearoa's own Ministry of Foreign Affairs and Trade (MFAT) officials acknowledge as increasingly important, given the challenging new geostrategic environment. Using a conceptual framework based on national interests, the article analyzes the alignment between New Zealand and its Southeast Asian neighbors. It aims to explain why a values-based foreign policy does not work and proposes adjustments to address the challenges in deepening this partnership.

# **Conceptual Framework**

To better analyze the ineffectiveness of Aotearoa New Zealand's values-based foreign policy in deepening its relationship with ASEAN, an appropriate framework must be used. Given that much of foreign policy is driven by national interests, a framework built upon national interests seems logical. However, the term *national interest* has been widely used since the founding of nation-states, <sup>19</sup> creating an

<sup>&</sup>lt;sup>13</sup> Orson Tan, "New Zealand and ASEAN: Focusing on what's right under its nose," *The Interpreter*, 21 March 2024, https://www.lowyinstitute.org/.

<sup>&</sup>lt;sup>14</sup> Laura Walters, "Diplomatic speed dating first step in re-engagement with Southeast Asia," *Newsroom* (New Zealand), 5 March 2024, https://newsroom.co.nz/.

<sup>&</sup>lt;sup>15</sup> Sharon Seah et al., *The State of Southeast Asia 2024 Survey Report* (Singapore: ISEAS–Yusof Ishak Institute, 2024), <a href="https://www.irsea.ro/">https://www.irsea.ro/</a>.

<sup>&</sup>lt;sup>16</sup> Seah et al., The State of Southeast Asia 2024 Survey Report, 39.

<sup>&</sup>lt;sup>17</sup> David Capie, "New Zealand's Tilt Towards Southeast Asia: More than Rhetoric?," *Fulcrum* (Singapore), 21 June 2024, https://fulcrum.sg/.

<sup>&</sup>lt;sup>18</sup> Our South East Asia and ASEAN Relationships (New Zealand: Ministry of Foreign Affairs and Trade, 2023), https://www.mfat.govt.nz/; and Tan, "New Zealand and ASEAN."

<sup>&</sup>lt;sup>19</sup> Donald E. Nuechterlein, "National interests and foreign policy: A conceptual framework for analysis and decision-making," *Review of International Studies* 2, no. 3 (October 1976): 246–66, https://www.jstor.org/.

expectation that everyone understands what is meant when countries discuss their "essential and enduring interests," as New Zealand's MFAT puts it.<sup>20</sup>

Arguably, there is widespread ambiguity about the meaning of national interest. When countries like New Zealand claim that they share common interests with their Southeast Asian partners, there is no guarantee that these interests align. Scholars like Charles Bear, Hans Morgenthau, Joseph Frankel, and Donald Nuechterlein have written extensively about national interest. Using their writings, a distilled definition of *national interests* can be formed: the national interest is the perceived needs and desires of a sovereign state in relation to other sovereign states. Sa

Given that the national interest is a perception of a state's needs and desires, the overall national interest will be formed from a state's assessment of its needs across several spheres. Nuechterlein calls these spheres the state's basic interests and identifies four that help form a state's national interest and underpin its foreign policy.<sup>24</sup> His conceptual framework is represented in figure 1.

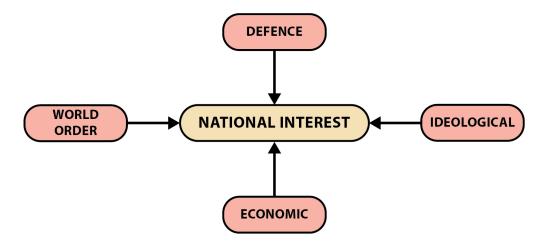


Figure 1. Nuechterlein Framework of Basic Interests. (Source: Author's Own)

<sup>&</sup>lt;sup>20</sup> 2023 Strategic Foreign Policy Assessment, 11.

<sup>&</sup>lt;sup>21</sup> Russell Palmer, "Singapore PM warns against Middle East 'calamity', signs NZ agreement," *Radio New Zealand*, 15 April 2024, https://www.rnz.co.nz/.

<sup>&</sup>lt;sup>22</sup> Charles A. Beard and George H.E. Smith, *The Idea of National Interest* (New York: Macmillan, 1934); Joseph Frankel, *National Interest* (New York: Praeger Publishers, 1970); Hans J. Morgenthau, *In Defense of The National Interest* (New York: Alfred A. Knopf, 1951); and Donald E. Nuechterlein, *United States National Interests in a Changing World* (Lexington: University Press of Kentucky, 1973).

<sup>&</sup>lt;sup>23</sup> Nuechterlein, "National interests and foreign policy," 247.

<sup>&</sup>lt;sup>24</sup> Nuechterlein, "National interests and foreign policy," 247–48.

Nuechterlein's framework posits that a state's national interest is broadly influenced by its defense, economic, world order and ideological interests. He defines these interests as:<sup>25</sup>

- 1. **Defense interests**: the protection of the nation-state and its citizens against the threat of physical violence directed from another state, and/or an externally inspired threat to its system of government.
- 2. **Economic interests**: the enhancement of the nation-state's economic well-being in relations with other states.
- 3. World Order interests: the maintenance of an international political and economic system in which the nation-state may feel secure, and in which its citizens and commerce may operate peacefully outside its borders.
- 4. **Ideological interests**: the protection and furtherance of a set of values which the people of a nation-state share and believe to be universally good.

These four basic interests are not mutually exclusive; there are compromises and trade-offs between them. This also means that each sovereign state will have its own ranking priority of these interests. For example, Country A may rank defense first, followed by economic, while Country B may instead focus on world order, followed by defense. This rank ordering is influenced by the intensity with which the state believes in the importance of the basic interests. The intensity can be broadly divided into four levels:<sup>26</sup>

- 1. **Survival**: where the very existence of the nation-state will be jeopardized.
- 2. Vital: where serious harm will be afflicted on the state.
- 3. **Major**: where the state may be adversely affected.
- 4. **Peripheral**: where the state will not be adversely affected.

Nuechterlein argues that the intensity of interests is issue-based, citing the British interests during the Suez Canal crisis to support his point. However, this article suggests that while the levels of intensity are issue-specific, they can be adapted. When formulating a foreign policy, a state will naturally rank order the four basic needs based on their perceived importance. Consequently, the levels of intensity can be adapted to reflect the perceived importance of the basic interests. In this case, this paper suggests dropping the survival level, leaving three levels of perceived importance:

<sup>&</sup>lt;sup>25</sup> Nuechterlein, "National interests and foreign policy," 248.

<sup>&</sup>lt;sup>26</sup> Nuechterlein, "National interests and foreign policy," 249-50.

- 1. **Vital**: a central goal of its foreign policy.
- 2. Major: an important goal of its foreign policy.
- 3. **Peripheral**: a goal of its foreign policy.

By identifying the perceived importance that New Zealand and the ASEAN bloc attribute to these basic interests, it is possible to theorize a rank ordering of the basic interests. Comparing the rank ordering between New Zealand and the ASEAN bloc could explain why New Zealand's traditional focus on values is an obstacle rather than a boon in Southeast Asia.

# Methodology

Applying Nuechterlein's framework requires identifying the attention or importance that New Zealand and ASEAN attribute to the four basic interests in their foreign policy. This identification can be done through documentary analysis of foreign policy statements, speeches, and documents from both New Zealand and ASEAN. Documentary analysis is a distinctive research method suitable for policy study.<sup>27</sup> It allows us to identify the basic interests highlighted by leaders and policy documents as central to the foreign policy of respective parties.

When using documentary analysis, it's important to acknowledge the limitations arising from using documents as sources, including the lack of ready availability or access to official documents.<sup>28</sup> However, given that the chosen documents are publicly available statements like the *Strategic Foreign Policy Assessment* and speeches by political leaders, this limitation is mitigated. To ensure a broader perspective, research by other academics on foreign issues of these two actors is also used to analyze the value placed on the respective basic interests.<sup>29</sup>

The results of these analyses will allow us to identify the relative importance of the basic interests for the parties and display it in a table like the one below. Comparing the tables for New Zealand and ASEAN will help identify any misalignments in basic interests between the two parties.

<sup>&</sup>lt;sup>27</sup> Kari Karppinen and Hallvard Moe, "What We Talk about When We Talk about Document Analysis," in *Trends in Communication Policy Research: New Theories, Methods and Subjects*, ed. Natascha Just and Manuel Puppis (Bristol, UK: Intellect, 2012), 177–94, https://doi.org/.

<sup>&</sup>lt;sup>28</sup> Gary McCulloch, *Documentary Research: In Education, History and the Social Sciences* (New York: Routledge, 2004).

<sup>&</sup>lt;sup>29</sup> McCulloch, Documentary Research.

Table 1. Perceived Importance of Basic Interests for Country A. (Source: Author's own, adapted from Nuechterlein, Donald E. "National Interests and Foreign Policy: A Conceptual Framework for Analysis and Decision-Making." Review of International Studies 2, no. 3 (1976): 246-66.)

Interests	Vital	Major	Peripheral
Defence	-	X	-
Economic	X	-	-
World Order	-	X	-
Ideological	-	-	X

It is important to note that analyzing ASEAN's basic interests involves examining a regional bloc of sovereign states rather than an individual state, as Nuechterlein's framework was originally intended. However, this does not hinder the application of the framework because ASEAN, as a regional organization, makes decisions by consensus. Thus, its foreign policy interests represent a lowest common denominator, meaning the basic interests protected by these decisions are shared by all member states. This allows us to analyze ASEAN as a single actor and compare it with Aotearoa New Zealand.

The documents collected for this analysis cover the period from 2018 to 2023. This timeframe was chosen as it includes the start of the US-China strategic competition in 2018 and the end of the Labour government in 2023, whose foreign policy influenced the attitudes toward New Zealand reflected in the State of Southeast Asia survey.<sup>30</sup>

# **Findings**

This section examines how New Zealand and ASEAN perceive the relative importance of the four basic interests between 2018 and 2023. It begins with New Zealand, highlighting its normative idealistic foreign policy constructed through a values-led approach, emphasizing the importance of "Ideology." Then it turns to ASEAN, projecting a belief in pragmatic foreign policy and emphasizing "World Order." Finally, it analyzes the misalignment between the ranking of basic interests and how this proves to be an obstacle to deepening relations.

<sup>&</sup>lt;sup>30</sup> Mokry, "Grand Strategy and the Construction of the National Interest," 743.

## New Zealand's Values-based Foreign Policy

As mentioned at the beginning of this article, New Zealand's foreign policy direction since 2018 can be seen as normatively idealistic.<sup>31</sup> Aotearoa has insisted that its foreign policy is driven by the values that the country presumptively believes in, and the Labour government doubled down on this values-based approach during its second term from 2020 to 2023, when then-Foreign Minister Mahuta gave a speech outlining a *kaupapa Māori* (collective Māori vision) foreign policy for New Zealand.<sup>32</sup> This indigenous foreign policy would be rooted on *tikanga Māori* (Māori customary practices and behaviors) principles of *manaakitanga* (hospitality), *whanaungatanga* (kinship), *mahi tahi* or *kotahitanga* (unity), and *kaitiakitanga* (steward/guardianship, in terms of intergenerational well-being).<sup>33</sup> Mahuta stated that the "principles of partnership and mutual respect" would drive her approach to shaping Aotearoa's foreign policy, and she was committed to pursuing a values-based approach driven by the values listed above, which seemed highly idealistic during a period when international politics could be argued to have become more realist.<sup>34</sup>

This embrace of a values-based foreign policy was not unique to Mahuta. While Aotearoa's foreign policy took on a distinct indigenous flavor during Mahuta's time as Foreign Minister, the overarching dedication to the values-based approach can be seen from the speeches given by her predecessor, Winston Peters, who held the portfolio from 2018 to 2020. In various speeches throughout his term, Peters spoke about the values that are Aotearoa's "foundations as a nation and as a society" and that drive its foreign policy. Peters emphasized how New Zealand's "democratic traditions have also underpinned how we engage with the world. This commitment to a values-based approach aligns with New Zealand's traditional pursuit of moral objectives in foreign

<sup>&</sup>lt;sup>31</sup> Guy C. Charlton, "A Return to Values-based Foreign Policy in New Zealand," *The Diplomat*, 1 July 2022, https://thediplomat.com/.

<sup>&</sup>lt;sup>32</sup> Nicholas Ross Smith and Bonnie Holster, "New Zealand's 'Maori foreign policy' and China: A Case of Instrumental Relationality?," *International Affairs* 99, no. 4 (2023), 1575, https://doi.org/; and Nicholas Ross Smith and Bonnie Holster, "New Zealand: Can an Indigenous Foreign Policy Deliver?," *Centre for Security, Diplomacy and Strategy Policy Brief*, 13 December 2022, https://csds.vub.be/.

<sup>&</sup>lt;sup>33</sup> Nicholas Ross Smith and Bonnie Holster, "NZ: Maori Foreign Policy to Manage Increasingly Challenging Relationship with China," *9DASHLINE*, 27 October 2023, https://www.9dashline.com/.

<sup>&</sup>lt;sup>34</sup> Nanaia Mahuta, "Inaugural Foreign Policy Speech to Diplomatic Corps" (speech, Ministry of Foreign Affairs, 4 February 2021), https://www.beehive.govt.nz/.

<sup>&</sup>lt;sup>35</sup> Winston Peters, "Speech to the Diplomatic Corps, Wellington" (speech, Ministrey of Foreign Affairs, 4 April 2019), https://www.beehive.govt.nz/.

<sup>&</sup>lt;sup>36</sup> Winston Peters, "The Indo-Pacific: from principles to partnerships" (speech, Ministry of Foreign Affairs, 27 February 2020), https://www.beehive.govt.nz/.

policy, a direction driven by its sense of identity.<sup>37</sup> Aotearoa's foreign policy has long been defined by its sense of morality, stemming from the Labour Party of the 1930s, which believed that upholding collective security through the League of Nations was a moral obligation. This commitment continued through the country's involvement in promoting human rights and, most importantly, the adoption of the nuclear-free policy that has become central to the country's identity and a core national interest.<sup>38</sup>

As New Zealand navigated the post-Cold War world and the breakdown of its alliance with the United States over the nuclear-free policy, the country has increasingly channeled its moral foreign policy. This culminated in Aotearoa's successful bid for a nonpermanent seat on the United Nations Security Council in 2014.<sup>39</sup> Aotearoa has styled itself as a contributor to human security in the new millennium, leaning into its history of pursuing moral objectives and solidifying its perception as a moral international actor.<sup>40</sup> Prime Minister Arden reaffirmed this when she told the New Zealand US Business Summit that New Zealand has "held firmly to our independent foreign policy but also to our values."<sup>41</sup>

**Table 2. Perceived importance of basic interests for New Zealand.** (Source: Author's own, adapted from Nuechterlein [1976].)

-			
Interests	Vital	Major	Peripheral
Defence	-	-	X
Economic	-	X	-
World Order	-	X	-
Ideological	Χ	-	-

The analysis of speeches and other related documents regarding New Zealand's foreign policy paints a picture of a nation that ranks its ideological interests as most vital. Table 2 shows the perceived importance of the four basic interests based on this analysis. Ideological interests are ranked as vital given the emphasis in both

<sup>&</sup>lt;sup>37</sup> Iati Iati and Robert G. Patman, "New Zealand and the World: Past, Present and Future," in *New Zealand and the World: Past, Present and Future*, ed. Robert G. Patman, Iati Iati, and Balazs Kiglics (Singapore: World Scientific Publishing, 2018), xxv–xlvii; and Terence O'Brien, "National Identity and New Zealand Foreign Policy," in *New Zealand and the World: Past, Present and Future*, ed. Robert G. Patman, Iati Iati, and Balazs Kiglics (Singapore: World Scientific Publishing, 2018), 55–66.

<sup>&</sup>lt;sup>38</sup> Iati and Patman, "New Zealand and the World."

<sup>&</sup>lt;sup>39</sup> Jacqui True and Maria Tanyag, "The Globalisation of the Human Security Norm: New Zealand/Aotearoa Leadership and Followership in the World," in *New Zealand and the World: Past, Present and Future*, ed. Robert G. Patman, Iati Iati, and Balazs Kiglics (Singapore: World Scientific Publishing, 2018), 239–54.

<sup>&</sup>lt;sup>40</sup> Iati and Patman, "New Zealand and the World"; and True and Tanyag, "The Globalisation of the Human Security Norm."

<sup>&</sup>lt;sup>41</sup> Damien O'Connor, "Speech to New Zealand US Business Summit" (speech, Ministry of Trade and Export Growth, 2 May 2022), https://www.beehive.govt.nz/.

speeches and foreign policy documents on the values that drive New Zealand's assessment of its national interests.

It is important to note that economic and world order interests can also be ranked as vital in the assessment of Aotearoa's national interests. Both Peters and Mahuta, during their terms as foreign minister, frequently spoke about the country's commitment to upholding the international rules-based order and the perception that New Zealand acted as if it felt economically insecure. Arguably, Aotearoa values its world order and economic interests even more than its ideological ones, especially considering how New Zealand benefits greatly from the current international system.

Furthermore, in the current discourse on AUKUS and the wider US–China strategic competition, both the ongoing challenge to the current rules-based international order and China's significant role as New Zealand's largest trading partner are frequently discussed by proponents and opponents of AUKUS and New Zealand's positioning. <sup>43</sup> However, the analysis of documents and research regarding New Zealand's foreign policy during this period shows that while the country may believe in the importance of its world order and economic interests, it emphasizes ideological interests in its foreign policy presentations to regional partners.

As David Capie noted, the Ardern government championed a distinctly values-driven approach to foreign policy, which not only unsettled ASEAN partners but also frustrated them, given it felt at odds with the increasing coercion and sharp competition faced by the region.<sup>44</sup>

## The Basic Interests of ASEAN

The reason for such unsettlement could be that, unlike New Zealand, ASEAN's approach to foreign policy appears more pragmatic and proactive. <sup>45</sup> As mentioned above, ASEAN is not a singular nation-state but a regional bloc formed in 1967 amid Cold War tensions and regional instability caused by the *Konfrontasi*. <sup>46</sup> This

<sup>&</sup>lt;sup>42</sup> Rosemary Banks, "Jumping on Lord Palmerston's Grave: New Zealand's Enduring Alliances and Security Partnerships," *Kwentuhan* 1 (October 2023), https://www.indopac.nz/.

<sup>&</sup>lt;sup>43</sup> Don Brash and Helen Clark, "Statement on NZ Government jeopardising NZ's independent foreign policy and economic security" (press release, Prime Ministers Office, 16 July 2024), <a href="https://www.helenclarknz.com/">https://www.helenclarknz.com/</a>; and Reuben Steff, "For New Zealand, the Benefits of Joining AUKUS Pillar II Outweigh the Costs," *The Diplomat*, 20 April 2023, <a href="https://thediplomat.com/">https://thediplomat.com/</a>.

<sup>44</sup> Capie, "New Zealand's Tilt Towards Southeast Asia."

<sup>&</sup>lt;sup>45</sup> Bilson Kurus, "The ASEAN Triad: National Interest, Consensus-Seeking, and Economic Co-operation," *Contemporary Southeast Asia* 16, no. 4 (March 1995): 404–20, http://www.jstor.org/.

<sup>&</sup>lt;sup>46</sup> Shaun Narine, "ASEAN and the Management of Regional Security," *Pacific Affairs* 71, no. 2 (Summer 1998): 195–214, https://doi.org/.

environment necessitated a cooperative style stressing respect for national sovereignty, avoiding confrontation, and reaching agreement, all in pursuit of regional security objectives, chiefly stability and order.<sup>47</sup>

Given its founding context, ASEAN's approach to foreign policy differs from New Zealand's. While Aotearoa can be idealistic and pursue values, ASEAN pragmatically seeks regional stability. ASEAN aims to define the rules and norms of international relations in the region, evident in its insistence on doing things the ASEAN Way and building a wide-reaching network embedding the regional bloc and its institutions.<sup>48</sup>

This approach has led to the creation of ASEAN-centric regional multilateral institutions, specifically ASEAN and its four ASEAN-led mechanisms: the ASEAN Regional Forum (ARF), the ASEAN Plus Three (APT), the East Asia Summit (EAS), and the ASEAN Defence Ministers' Meeting-Plus (ADMM-Plus). <sup>49</sup> These mechanisms and ASEAN's broader security objectives provide insight into its basic interests as an international actor. ASEAN's pragmatic and proactive approach, especially in norm-setting via its multilateral mechanisms, shows a policy not driven by ideological interests. Instead of pushing values like human rights or liberal democracy, the bloc's overarching regional security objective highlights its core interest in world order. Table 3 below displays the perceived importance of the basic interests for the bloc, with world order being most vital and ideological being peripheral.

<sup>&</sup>lt;sup>47</sup> Frank Frost, *ASEAN and Regional Cooperation: Recent Developments and Australia's Interests* (Canberra: Parliament of Australia, 2013), <a href="https://apo.org.au/">https://apo.org.au/</a>; Narine, "ASEAN and the Management of Regional Security"; and Bilahari Kausikan, *Singapore Is Not an Island: Views on Singapore Foreign Policy* (Singapore: Straits Times Press, 2017).

<sup>&</sup>lt;sup>48</sup> Narine, "ASEAN and the Management of Regional Security"; and Dylan MH Loh, "The disturbance and endurance of norms in ASEAN: peaceful but stressful," *Australian Journal of International Affairs* 72, no. 5 (2018): 385–402, https://doi.org/.

<sup>&</sup>lt;sup>49</sup> Cheng-Chwee Kuik, "Hedging via Institutions: ASEAN-led Multilateralism in the Age of the Indo-Pacific," *Asian Journal of Peacebuilding* 10, no. 2 (November 2022): 355–86, https://doi.org/.

Table 3. Perceived importance of basic interests for ASEAN. (Source: Author's own,
adapted from Nuechterlein [1976].)

Interests	Vital	Major	Peripheral
Defence	-	X	-
Economic	-	X	-
World Order	X	-	-
Ideological	-	-	Χ

The ranking of world order interests as vital is supported by the analysis of ASEAN documents. In a statement on the rising tensions in the South China Sea, the 10 ASEAN foreign ministers reaffirmed their "unity and solidarity and shared commitment to maintaining and further strengthening stability" through peaceful dialogue and upholding international law.<sup>50</sup> In another statement presented at the United Nations, ASEAN highlighted its commitment to "upholding multilateralism, as well as the rule of law and a rules-based international order in responding to increasingly complex global challenges."<sup>51</sup>

The post–Cold War world order has benefited the regional bloc, allowing ASEAN to maintain its relevance by engaging with numerous dialogue partners to uphold regional stability, thereby promoting its military and economic security. Consequently, world order is clearly a vital interest for ASEAN, while both defense and economic interests are major, as ASEAN's comprehensive definition of security links the two together.

## Interests Misalignment and Course Corrections

A comparison of Tables 2 and 3 offers insight into the misalignment of interests between New Zealand and ASEAN. Actearoa has clearly prioritized ideological interests, staunchly pursuing a values-based approach in its regional engagement. In contrast, ASEAN has little interest in the moral objectives of such an approach. Ranking ideological interests as peripheral helps explain the region's frustration with New Zealand as a partner.

To ASEAN, New Zealand's emphasis on shared values and issues like human rights and democratic values is not compelling. This is especially true since many ASEAN countries can hardly be considered liberal democracies. <sup>52</sup> Recent elections

<sup>&</sup>lt;sup>50</sup> "ASEAN Foreign Ministers' Statement on Maintaining and Promoting Stability in the Maritime Sphere in Southeast Asia" (press release, ASEAN, 30 December 2023), https://asean.org/.

<sup>&</sup>lt;sup>51</sup> "Statement on Behalf of the Association of Southeast Asian Nations Agenda Item 83: The Rule of Law at the National and International Levels" (press release, ASEAN, 16 October 2023), https://www.un.org/.

<sup>&</sup>lt;sup>52</sup> Fabio Angiolillo et al., "State of the world 2023: democracy winning and losing at the ballot," *Democratization* (April 2024): 1–25, https://doi.org/.

and political upheaval have seen a return to political dynasties, with "nepo babies" like Ferdinand Marcos, Jr. in the Philippines, Samdech Hun Manet in Cambodia, Prabowo Subianto and Gibran Rakabuming Raka in Indonesia, and Paetongtarn Shinawatra in Thailand.<sup>53</sup>

From the beginning, ASEAN has structured its relationships with Western liberal dialogue partners, including New Zealand, based on common interests rather than common values. This is because the liberal democratic values of these partners do not necessarily match those of the region. By pushing a values-based approach, New Zealand appears to misunderstand what drives its ASEAN counterparts, leading to a lack of strengthened relationships.

The misalignment also helps explain why officials from ASEAN states see New Zealand as not pulling its weight in the region. ASEAN values maintaining the current order as paramount to its security interests. New Zealand's focus on values in engaging with ASEAN partners is akin to someone speaking loudly but doing little to back things up. This perception is exacerbated by ASEAN's formation in a tense and unstable environment, leading to a paradigm of security that includes military and economic aspects, anchored by the current rules-based international order.

New Zealand's lack of adequate investment in its defense capabilities further reinforces this image of an unreliable partner. From ASEAN's perspective, the era of a prosperity-driven Asia-Pacific is over, replaced by the new reality of a security-centered Indo-Pacific, epitomized by the US–China strategic competition.<sup>54</sup> In fact, in the joint statement commemorating the 45th anniversary of ASEAN–New Zealand relations, both parties committed to "maintaining and promoting peace, security and stability in the region" based on a "dedication to an open, transparent, inclusive, and rules-based regional architecture." To do so, they pledged to have "regular and comprehensive ASEAN–New Zealand dialogue and cooperation."

However, by the end of 2023, MFAT's own report highlighted that New Zealand had conducted almost double the number of visits to European states than to Southeast Asian ones (41 to 23), with some ASEAN states like Malaysia not

<sup>&</sup>lt;sup>53</sup> "Asian 'nepo babies' are dominating its politics," *The Economist*, 4 April 2024, <a href="https://www.economist.com/">https://www.economist.com/</a>; and Ben Bland, "Nepo baby leaders are stifling south-east Asia," *Financial Times* (UK), 24 August 2024, <a href="https://www.ft.com/">https://www.ft.com/</a>.

<sup>&</sup>lt;sup>54</sup> Thitinan Pongsudhirak, "Keynote Address: 30 Years of Growing Asia–New Zealand Relations" (paper presented at the Asia Summit, Wellington, New Zealand, 15 October 2024).

<sup>&</sup>lt;sup>55</sup> "Joint ASEAN-New Zealand Leaders' Vision Statement on the 45th Anniversary of ASEAN-New Zealand Dialogue Relations: A Legacy of Partnership, A Future Together" (press release, ASEAN and New Zealand Government, 14 November 2020), <a href="https://asean.org/">https://asean.org/</a>.

<sup>&</sup>lt;sup>56</sup> "Joint ASEAN-New Zealand Leaders' Vision Statement," 2.

visited by a New Zealand Prime Minister since 2009.<sup>57</sup> This failure to uphold its commitment, driven by a lack of focus on Southeast Asia, further increases the perception of Aotearoa as not pulling its weight in its partnership with ASEAN.

While the misalignment of interests may contribute to the perception that New Zealand is not pulling its weight in its relationship with ASEAN, and to its view as the least strategically relevant Dialogue Partner to the bloc, two points are important to note. Firstly, this misalignment will differ slightly among individual ASEAN states. Secondly, there is still a role for New Zealand's idealistic foreign policy.

The analysis of ASEAN's perceived interests applies to the regional bloc as a single entity, due to its consensus-decision making mechanism. This means that the ranking of world order ahead of defense and economic interests applies strictly to ASEAN's perception of regional needs. Individual states will have their own considerations and ranking of needs, although these rankings would largely look the same, as ASEAN has long been able to elicit the common interests of its members.<sup>58</sup>

However, with slightly differing rankings among individual states, some countries may be more receptive to Aotearoa's values-based foreign policy, or at least not see it as a stumbling block. For example, while New Zealand's relationship with most ASEAN states has stagnated during the Ardern governments, the first country Ardern visited after reopening New Zealand's borders in 2022 was Singapore. During that visit, the two countries announced a further addition to the Singapore–New Zealand Enhanced Partnership. <sup>59</sup> Yet, even the deepening of this relationship was centered on common interests shared by both countries, both being small states that supported each other during the pandemic and depended on the international order to prosper.

That being said, ideological differences are not an insurmountable stumbling block. The misalignment occurs because Aotearoa appears to emphasize its ideological interests more than its world order interests, when arguably, the latter means more to New Zealand. As a small state at the end of the global supply chain, New Zealand is highly dependent on multilateralism and international law to protect

<sup>&</sup>lt;sup>57</sup> "Our South East Asia and ASEAN Relationships."

<sup>&</sup>lt;sup>58</sup> Ekaterina Koldunova, "Dialogue Partnerships' in ASEAN's External Relations, [«Диалоговые Партнерства» Во Внешней Политике Асеан, in Russian]," *International Trends* [Международные процессы] 15, no. 3 (August 2017): 55–66, https://www.intertrends.ru/.

<sup>&</sup>lt;sup>59</sup> Yan Han Goh, "Singapore and New Zealand to collaborate on climate change, green economy: PM Lee, Ardern," *Straits Times* (Singapore), 27 April 2022, https://www.straitstimes.com/.

its sovereignty and interests and has often reiterated its commitment to the current multilateral system.  $^{60}$ 

There is no expectation from ASEAN that Aotearoa pivots entirely away from its ideological and normative approach. As Thitinan Pongsudhirak mentions, the values New Zealand holds are part of its unique selling point to its Asian neighbors. The framing of these values could make a difference in correcting the misalignment. A foreign policy approach grounded in pragmatic idealism would help, projecting that Aotearoa's foremost concern is upholding the multilateral system that allows it to pursue its values-based concerns. Pragmatic idealism would allow for greater alignment between Aotearoa and ASEAN, as both parties would be driven primarily by their world order interests, while New Zealand remains free to pursue the normative issues it feels compelled to address. 62

It is important that the current National-led coalition government has acknowledged the failure to deepen its strategic relationship with ASEAN and its member states. The National coalition government has announced a foreign policy reset focused on Aotearoa's immediate neighbors in Southeast and South Asia. <sup>63</sup> Senior ministers, led by Prime Minister Christopher Luxon, have made multiple trips to ASEAN countries since taking office. <sup>64</sup> Delegations led by the Prime Minister and Foreign Minister Peters have already visited Indonesia, Singapore, Malaysia, Thailand, and the Philippines. The government has also hosted an ASEAN–New Zealand Dialogue in Wellington in April, while Luxon attended an ASEAN dialogue in Melbourne and Peters attended the EAS in July.

The increase in engagement is an important first step to address the stagnation in the ASEAN–New Zealand relationship, but more needs to be done. Luxon's messaging during his Southeast Asian trips, stating that "New Zealand is open for business," once again highlights the misunderstanding resulting from the misalignment

<sup>&</sup>lt;sup>60</sup> Adam Lupel, Kaewkamol Pitakdumrongkit, and Joel Ng, *Small States and the Multilateral System: Transforming Global Governance for a Better Future* (New York: International Peace Institute, 2024), <a href="https://www.ipinst.org/">https://www.ipinst.org/</a>.

<sup>61</sup> Pongsudhirak, "Keynote Address."

<sup>&</sup>lt;sup>62</sup> Costas Melakopides, "The 'Pragmatic Idealism' of Russia's Post-Cold War Policy towards Cypruspragmatism," *Cyprus Review* 24, no. 1 (Spring 2012): 71–97; and Iain Watson, "Middle Power Alliances and the Arctic: Assessing Korea-UK Pragmatic Idealism," *Korea Observer* 45, no. 2 (2014): 275–320.

<sup>&</sup>lt;sup>63</sup> Winston Peters, "Speech to New Zealand Institute of International Affairs, Parliament – Annual Lecture: Challenges and Opportunities" (speech, Ministry of Foreign Affairs, 1 May 2024), <a href="https://www.beehive.govt.nz/">https://www.beehive.govt.nz/</a>; and Winston Peters, "Advancing New Zealand and Asia Relations" (speech, Ministry of Foreign Affairs, 15 October 2024), <a href="https://www.beehive.govt.nz/">https://www.beehive.govt.nz/</a>.

<sup>&</sup>lt;sup>64</sup> Capie, "New Zealand's Tilt Towards Southeast Asia."

of interests.<sup>65</sup> With ASEAN facing an increasingly volatile strategic environment, such messages do little to persuade Aotearoa's ASEAN partners that New Zealand understands the region's issues and is willing to step up its involvement.

he ASEAN statement from the EAS reaffirmed the bloc's commitment to implementing its *ASEAN Outlook on the Indo-Pacific*, recognizing the challenging security environment and driving a focus on maritime cooperation and connectivity. <sup>66</sup> Peters acknowledged the challenges that New Zealand and ASEAN states face in his speech at the Asia Summit this October, highlighting that the "world today is disordered and becoming more dangerous" as the "multipolar world is here to stay, and states: large, middle, and small are all jostling to advance their interests." <sup>67</sup> He also emphasized the government's recognition of the region's concerns regarding challenges to the existing rules and the overarching US–China strategic competition as key drivers of their foreign policy reset, signaling an understanding of ASEAN's view of New Zealand as an unreliable partner.

To that end, it was announced that the coalition government would be advancing toward a Comprehensive Strategic Partnership with ASEAN as a sign of Aotearoa's concrete commitment to the region. Advancing a Comprehensive Strategic Partnership would be a significant step forward in solidifying relationships with ASEAN. Beyond that, New Zealand should signal its position as a true regional partner by stepping up its engagement at both the political and security levels. This is only achievable if the country increases its investment in the necessary defense infrastructure, equipment, and capabilities.

New Zealand recently sent a navy vessel to participate in a freedom of navigation exercise in the Taiwan Straits and dispatched its pair of P8 Poseidon aircraft to Exercise Bersama Shield with its Five Power Defence Arrangement (FPDA) partners. However, beyond that, its security engagement with Asia and ASEAN specifically is limited. Investing in its defense, particularly the Royal New Zealand Navy, would allow Aotearoa to pursue more joint military exercises with individual ASEAN states beyond Singapore and Malaysia, which are part of the FPDA.

By expanding its navy, New Zealand can engage with ASEAN partners like Indonesia, Vietnam, and the Philippines, who have existing concerns about instability

<sup>&</sup>lt;sup>65</sup> Anna Whyte, "PM brushes aside business comments—'We are open for business'," *The Post* (New Zealand), 19 April 2024, https://www.thepost.co.nz/.

<sup>&</sup>lt;sup>66</sup> Abdul Rahman Yaacob and Genevieve Donnellon-May, "ASEAN's Indo-Pacific vision in troubled waters," *East Asia Forum*, 5 September 2024, https://eastasiaforum.org/.

<sup>&</sup>lt;sup>67</sup> Peters, "Advancing New Zealand and Asia Relations."

<sup>&</sup>lt;sup>68</sup> Aaron Connelly, "New Zealand's biggest pivot since the 1980s," *The Economist*, 17 October 2024, <a href="https://www.economist.com/">https://www.economist.com/</a>; and "Exercising with the Five Powers" (press release, New Zealand Defence Force, 7 June 2024), <a href="https://www.nzdf.mil.nz/">https://www.nzdf.mil.nz/</a>.

in the South China Sea and have conducted bilateral naval exercises in that maritime arena. It can also partake in joint ASEAN military exercises, especially after the bloc carried out its very first whole-ASEAN exercise last year.<sup>69</sup>

New Zealand should also enhance its climate change agreements with ASEAN as part of the steps to achieve a Comprehensive Strategic Partnership with the bloc. The impact of climate change has been felt around the region with an increase in natural disasters like Typhoon Yagi. Climate change is an existential threat for both ASEAN and Aotearoa. Deepening cooperation on green technology, whether through two-way investments or sharing research, would help signal New Zealand's position as a committed partner to the region.

### Conclusion

In summary, this essay highlights how a misalignment of basic interests has contributed to the stagnation of the ASEAN-New Zealand relationship. Frustration and uneasiness with the previous New Zealand administration's foreign policy resulted in no significant deepening of ties with a region that is incredibly vital to its economic and defense stability, and which has also seen increasing tension and geopolitical maneuvering.

Analyzing the key drivers of both Aotearoa's and ASEAN's foreign policy, we can see that New Zealand's decision to pursue a values-based foreign policy stems from its understanding of ideological values as a vital interest, driven by its desire to pursue moral objectives. The nation's self-image as a society of high moral values has created an ideological identity that permeates its behavior in the international arena. This focus on being a moral international actor has caused it to champion its ideological interests, despite greater concerns regarding economic security and world order.

In contrast, ASEAN's frustrations stem from a pragmatic approach to challenges on the horizon, driven by a vital interest in maintaining the current order and stability. This approach is partly rooted in the region's experiences in the late 1960s and early 1970s when conflict between ASEAN states and Cold War tensions turned Southeast Asia into a geopolitical battleground. ASEAN was formed as a regional organization centered on the security objectives of its member states, primarily maintaining regional stability and the current world order.

ASEAN's foreign policy is driven by world order interests as its core concern, which allows it to pursue security concerns in the economic and defense realms. The analysis of New Zealand's and ASEAN's interests shows a clear case of misalignment

<sup>&</sup>lt;sup>69</sup> Abdul Rahman Yaacob, "ASEAN's first joint military exercise," *The Interpreter*, 26 September 2023, https://www.lowyinstitute.org/.

between both parties, especially given ASEAN's peripheral value on ideological interests. This misalignment creates a significant stumbling block, as the two parties misunderstand the core drivers of their foreign policy actions. This is evident in New Zealand's attempt to pursue a values-based foreign policy and helps explain the adverse reactions from its ASEAN partners.

Thus, it is clear that the values-based approach has hindered rather than helped develop the relationship. As ASEAN becomes an increasingly important partner in the changing regional environment, Aotearoa must ensure its current course correction continues and pursues actions that strongly signal its understanding of ASEAN's needs to deepen this relationship. •

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# The End of New Zealand's "Asymmetrical Hedge"?

# Assessing New Zealand's Indo-Pacific Outlook Post-Ardern

Dr. Nicholas Ross Smith

### **Abstract**

Since the late 2000s, New Zealand has largely followed an asymmetrical hedging strategy in its foreign policy: growing its trade relationship with China while concurrently remaining firmly within the US-led security architecture. However, as the room for hedging in the Indo-Pacific has shrunk, especially after Wellington adopted an Indo-Pacific outlook in 2019, New Zealand has taken steps to lessen its trade reliance on China while further committing itself within the Anglosphere. Since the election of the Sixth National Government of New Zealand in late 2023, Wellington appears to be tentatively switching from a strategy of hedging to something closer to a more conventional balancing strategy, evident in its efforts to participate in AUKUS. While the current situation can still be characterized as an asymmetrical hedge given the ongoing importance of China, if the room for hedging continues to shrink, it is likely that New Zealand will completely abandon its hedge in the future.

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Since the late 2000s, New Zealand has adopted an asymmetrical hedging strategy in its foreign policy. It has strengthened its trade relationship with China while remaining firmly within the US-led security architecture. However, after New Zealand adopted the Indo-Pacific concept in 2019, the regional geopolitical room for hedging has shrunk, forcing New Zealand to reconsider its asymmetrical hedge. Central to this change is New Zealand's growing consideration of participating in AUKUS, which has intensified since the Sixth National Government took power in late 2023. Joining AUKUS would likely make New Zealand's mature relationship with China untenable and force it to adopt a more conventional balancing strategy.

This article is structured in four sections. The first section examines New Zealand's asymmetrical hedge that dominated its foreign policy in the 2010s. The second section analyzes New Zealand's shrinking room for hedging due to the changing geopolitics of the Indo-Pacific. The third section assesses the foreign policy of the Sixth National Government, particularly the debate around whether New Zealand should participate in AUKUS. The final section discusses whether New Zealand's apparent shift in foreign policy strategy can be reversed.

## New Zealand's Asymmetrical Hedge in the 2010s

In the Indo-Pacific, hedging between China and the United States has generally been the preferred foreign policy for most sub-great powers.<sup>1</sup> Indeed, the very concept of *hedging* in international relations was first identified when Southeast Asian states pursued a third-way strategy instead of balancing or bandwagoning, which were the expected strategies to address China's rise.<sup>2</sup> Hedging is an umbrella term encompassing various state behaviors, popularized for its resemblance to financial strategies that spread risk to mitigate potential calamity.<sup>3</sup>

Evelyn Goh defines *hedging* as "any behaviour that sits in between balancing and bandwagoning," often exhibiting qualities of both. Sub-great powers typically aim to cultivate a middle position that avoids choosing one side at the obvious expense of another. The nature of hedging varies significantly due to differences in foreign policy-making processes among states. However, one aspect that can be more easily categorized in the context of great-power rivalry is alignment. Darren Lim and Zack Cooper define *hedging* as "an alignment choice involving the signalling of ambiguity over the extent of shared security interests with great powers."

When assessing a state's hedging strategy, the key question is: what is the underpinning alignment aim? Broadly speaking, there are four main types of alignment aims common to sub-great power hedging. The most ambitious is *multi*- or *dual-alignment*, where a state concurrently aligns with multiple sides. Another option is *asymmetrical alignment*, where a state builds security ties with one state while maintaining friendly relations with the other. *Non-alignment*, where a state explicitly avoids taking sides, is the least ambitious option. The riskiest is a *zigzag* 

<sup>&</sup>lt;sup>1</sup> Van Jackson, "Power, Trust, and Network Complexity: Three Logics of Hedging in Asian Security," *International Relations of the Asia-Pacific* 14, no. 3 (September 2014): 331–56, <a href="https://doi.org/">https://doi.org/</a>; Cheng-Chwee Kuik, "How Do Weaker States Hedge? Unpacking ASEAN States' Alignment Behavior towards China," *Journal of Contemporary China* 25, no. 100 (2016): 500–14; and Alexander Korolev, "Shrinking Room for Hedging: System-Unit Dynamics and Behavior of Smaller Powers," *International Relations of the Asia-Pacific* 19, no. 3 (September 2019): 419–52, https://doi.org/.

<sup>&</sup>lt;sup>2</sup> Denny Roy, "Southeast Asia and China: Balancing or Bandwagoning?," *Contemporary Southeast Asia* 27, no. 2 (August 2005): 305–22, <a href="https://www.jstor.org/">https://www.jstor.org/</a>; and Evelyn Goh, "Meeting the China Challenge: The US in Southeast Asian Regional Security Strategies," *Policy Studies*, no. 16 (2005).

<sup>&</sup>lt;sup>3</sup> Nicholas Ross Smith, "When Hedging Goes Wrong: Lessons from Ukraine's Failed Hedge of the EU and Russia," *Global Policy* 11, no. 5 (2020): 588–97, https://doi.org/.

<sup>&</sup>lt;sup>4</sup> Goh, "Meeting the China Challenge," 3.

<sup>&</sup>lt;sup>5</sup> Goh, "Meeting the China Challenge," 2.

<sup>&</sup>lt;sup>6</sup> Nicholas Ross Smith, "New Zealand's Grand Strategic Options as the Room for Hedging Continues to Shrink," *Comparative Strategy* 41, no. 3 (2022): 314–27, https://doi.org/.

<sup>&</sup>lt;sup>7</sup> Darren J. Lim and Zack Cooper, "Reassessing Hedging: The Logic of Alignment in East Asia," *Security Studies* 24, no. 4 (2015), 698, https://doi.org/.

or wedging strategy, where a sub-great power plays off larger powers against one another to align with the highest bidder.

The question of New Zealand's hedging alignment aim has attracted significant media attention and generated robust scholarly debate.<sup>8</sup> At the heart of New Zealand's strategic calculus is its relationship with China, which has unequivocally become one of New Zealand's most important partners. Although relations were modest at first after New Zealand switched recognition from the Republic of China to the People's Republic of China (PRC) in 1972, Sino-New Zealand relations have blossomed in the past two decades.

Central to this blossoming has been a free trade agreement (FTA), with negotiations beginning in 2004. At the time, Prime Minister Helen Clark remarked that New Zealand was "the first developed country to conclude a bilateral market access agreement with China for its entry to the World Trade Organization; the first to recognize China's status as a market economy and the first country to enter FTA negotiations with China." The FTA came into force in 2008 and was upgraded in 2022. Unsurprisingly, it has significantly boosted New Zealand's trade with China. In 2008, China accounted for a mere 5.8 percent of New Zealand's exports, but by 2023, that share had risen to approximately 27 percent, only slightly less than New Zealand's combined exports to Australia, Japan, and the United States, which accounted for approximately 30 percent. <sup>10</sup>

However, the Sino-New Zealand relationship should not be viewed solely through a trade and economics lens. By the late 2010s, relations had matured to the point that they were routinely called *mature*. This term is popular with China to designate a bilateral relationship grounded in mutual respect where disagreements can be resolved through dialogue, not confrontation. The term was once regularly used to describe Sino-American relations, especially in the late 2000s, but has fallen out of favor as the relationship has become notably frosty over the past decade.

<sup>&</sup>lt;sup>8</sup> Reuben Steff and Francesca Dodd-Parr, "Examining the Immanent Dilemma of Small States in the Asia-Pacific: The Strategic Triangle between New Zealand, the US and China," *Pacific Review* 32, no. 1 (2019): 90–112, <a href="https://doi.org/">https://doi.org/</a>; and Smith, "New Zealand's Grand Strategic Options."

<sup>&</sup>lt;sup>9</sup> Helen Clark, "Address to Beijing Business Lunch" (speech, Office of the Prime Minister, 31 May 2005), https://www.beehive.govt.nz/.

<sup>&</sup>lt;sup>10</sup> United Nations, "UN Comtrade Database," 2024, https://comtrade.un.org/.

<sup>&</sup>lt;sup>11</sup> Nicholas Ross Smith, "The Taniwha and the Dragon: New Zealand's Relationship with China under the Ardern Government at a Time of Growing Geopolitical Uncertainty," in *New Zealand's Foreign Policy under the Jacinda Ardern Government*, ed. Robert G Patman et al. (Singapore: World Scientific, 2023), 43–62, https://doi.org/.

<sup>&</sup>lt;sup>12</sup> "Wang Yi Meets with New Zealand's Foreign Minister Nanaia Mahuta" (press release, Ministry of Foreign Affairs of the People's Republic of China, 4 August 2022), <a href="https://www.mfa.gov.cn/">https://www.mfa.gov.cn/</a>.

Evidencing the maturity of the Sino-New Zealand relationship, the inauguration of the Sixth Labour Government of New Zealand in October 2017 occurred shortly before the 45th anniversary of official diplomatic relations between the PRC and New Zealand. During a speech to mark the occasion, then-Minister of Foreign Affairs Winston Peters remarked that the relationship had evolved into something akin to a "comprehensive strategic partnership" and that "New Zealand and China have grown beyond the business and institutional contacts."<sup>13</sup>

Similarly, China's Foreign Minister, Wang Yi, reflected in 2017 that there is a "high-degree of political mutual trust between the two countries" while also referring to the relationship as a "comprehensive strategic partnership." New Zealand's strategic trajectory relative to the rise of China is not unique in the Indo-Pacific context. Since at least the late 2000s, China has ranked as the most important trading partner to the majority of Indo-Pacific countries, a testament to the overarching hedging strategies employed by these states.

However, Australia (38.5 percent of all exports) and New Zealand (27.4 percent) stand out as the countries that have grown their trade levels with China to the point of being two of the most dependent in the Indo-Pacific. For comparison, China as a destination for exports accounted for 18 percent for the ASEAN group. While New Zealand has developed a mature relationship with China, Australia has not. Australia's relationship with China soured notably in the late 2010s, partly due to Canberra's long-standing security ties to the United States. Conversely, New Zealand's relationship matured to a point where China's state-run media routinely applauded New Zealand for maintaining an independent stance, presenting New Zealand as a model "that other countries could learn from."

Despite a significant period of warming relations, issues still arose between New Zealand and China. During Jacinda Ardern's first term as prime minister (2017–2020), concerns over Huawei (especially related to perceived cybersecurity and intellectual property threats), Xinjiang (human rights), and the protests in Hong Kong threatened the bilateral relationship. On occasion, New Zealand felt it necessary to publicly criticize China.

<sup>&</sup>lt;sup>13</sup> Winston Peters, "Anniversary of Diplomatic Relations with China" (press release, Ministry of Foreign Affairs, 5 December 2017), <a href="https://www.beehive.govt.nz/">https://www.beehive.govt.nz/</a>.

<sup>&</sup>lt;sup>14</sup> "Wang Yi Meets with Foreign Minister Gerry Brownlee of New Zealand" (press release, Ministry of Foreign Affairs of the People's Republic of China, 7 August 2017), <a href="https://www.fmprc.gov.cn/">https://www.fmprc.gov.cn/</a>.

<sup>&</sup>lt;sup>15</sup> OEC, "Observatory for Economic Complexity," 2024, https://oec.world/.

<sup>&</sup>lt;sup>16</sup> Michael D. Cohen, "The Origins of the ANZUS Alliance," *Australian Journal of International Affairs*, 29 August 2024, 1–6, https://doi.org/.

<sup>&</sup>lt;sup>17</sup> Caleb Hoyle, *A Model Relationship? Chinese Media Coverage of New Zealand-China Relations* (Wellington: New Zealand Contemporary China Research Centre, 2021), https://www.wgtn.ac.nz/.

Furthermore, the emergence of geopolitical rivalry between China and the United States in the mid to late 2010s made officials in Wellington nervous about New Zealand's seeming dependence on China, particularly regarding trade, and how it might be vulnerable if forced to choose a side. This growing anxiety was exacerbated by constant revelations of Chinese influence in New Zealand politics in the late 2010s, most notably accusations of China targeting individuals and groups, especially diasporic ones, critical of the Chinese Communist Party.<sup>18</sup>

Despite New Zealand cultivating the friendliest relationship with China among the five core Anglosphere countries, it remained firmly entrenched, albeit not to the extent of Australia, within the Anglosphere security architecture and looked to Washington for security assurances. While New Zealand was growing its trade relationship with China, it was also strengthening its security relationship with the United States. New Zealand's relations with Washington hit a notable nadir in the 1980s due to Wellington's refusal to allow the United States to send nuclear-powered ships into New Zealand's waters. 19 This resulted in the United States suspending its ANZUS treaty commitments to New Zealand and downgrading New Zealand's status in Washington from close ally to friend. Nevertheless, New Zealand spent much of the 2010s repairing security relations with the United States, signing the Wellington (2010) and Washington (2012) declarations, both of which laid the foundation for greater defense cooperation.<sup>20</sup>

By the end of the 2010s, New Zealand's hedging behavior clearly resembled an asymmetrical alignment. Its foreign policy grand strategy involved aligning with the United States for security while simultaneously developing a mature relationship with China.

## New Zealand's Shrinking Room for Hedging

A key factor in the success of hedging—and its inherent alignment aims—for sub-great powers is the permissiveness of the regional geopolitical environment. For all but the truly global superpowers, the regional geopolitical environment is the most important systemic influence on foreign policy making. This is because "the members are so interrelated in terms of their security that actions by any one member, and significant security-related developments inside any member, have a

<sup>18 &</sup>quot;Timeline: PRC Influence Coverage," Asia Media Centre, 2019, https://www.asiamediacentre.org.nz/. <sup>19</sup> Malcolm McKinnon, Independence and Foreign Policy: New Zealand in the World Since 1935 (Auckland: Auckland University Press, 1993).

<sup>&</sup>lt;sup>20</sup> László Szöllősi-Cira, New Zealand's Global Responsibility (Singapore: Palgrave Macmillan, 2022), https:// doi.org/.

major impact on others."<sup>21</sup> In regions with low levels of enmity and strong institutional mechanisms to manage security, sub-great powers can choose which relationships to develop. This makes more ambitious multi-alignment hedges viable.

An example of such a regional setting is Central Asia, where the two pre-eminent powers, Russia and China, have growing amity and have created a security architecture anchored by the Shanghai Cooperation Organization (SCO). To date, this has pacified any potential geopolitical instability.<sup>22</sup> Thus, for a country like Kazakhstan, pursuing a dual alignment between China and Russia makes a lot of sense and has proved largely fruitful.<sup>23</sup>

New Zealand, at the height of its relationship with China, also experimented with dual alignment between China and the United States. In the late 2010s, China was not merely seen as a country to which New Zealand could export goods but as a partner and potential friend. New Zealand hoped to act as an honest broker in mediating the deteriorating Sino-American relationship. In 2018, then Trade Minister David Parker stated that New Zealand could be a "bridge" between the United States and China.<sup>24</sup>

However, such notions quickly faded. Firstly, the idea that New Zealand had the diplomatic capital to act as a bridge was widely ridiculed internally and failed to garner attention in Washington or Beijing. Secondly, the trustworthiness of China remained a concern, especially given its increased assertiveness, which threatened the rules-based system New Zealand strongly adhered to.<sup>25</sup> The New Zealand government's 2018 *Strategic Defence Policy Statement* noted that despite China integrating "into the international order, it has not consistently adopted the governance and values championed by the order's traditional leaders."<sup>26</sup>

New Zealand's asymmetrical hedge was simply the most optimal foreign policy strategy that its regional geopolitical environment permitted. New Zealand's early twenty-first-century foreign policy trajectory was a product of a regional geopolitical setting that allowed concurrent security relations with the United States and

<sup>&</sup>lt;sup>21</sup> David A. Lake, "Regional Hierarchy: Authority and Local International Order," *Review of International Studies* 35, no. S1 (February 2009), 35, https://www.jstor.org/.

<sup>&</sup>lt;sup>22</sup> Marcel de Haas, "Relations of Central Asia with the Shanghai Cooperation Organization and the Collective Security Treaty Organization," *Journal of Slavic Military Studies* 30, no. 1 (2017): 1–16, https://doi.org/.

<sup>&</sup>lt;sup>23</sup> Mariya Y. Omelicheva and Ruoxi Du, "Kazakhstan's Multi-Vectorism and Sino-Russian Relations," *Insight Turkey* 20, no. 4 (2018): 95–110, https://www.insightturkey.com/.

<sup>&</sup>lt;sup>24</sup> Finn Hogan, "NZ could be a 'bridge' between US and China—David Parker," *Newshub*, 17 November 2018, https://www.newshub.co.nz/.

<sup>&</sup>lt;sup>25</sup> Steve Mollman, "New Zealand Risks Becoming a 'Strategic Nincompoop' as China Woos Tiny Pacific Islands," *Quartz*, 2 March 2018, https://qz.com/.

<sup>&</sup>lt;sup>26</sup> Strategic Defence Policy Statement (Wellington: Ministry of Defence, 6 April 2018), https://www.defence.govt.nz/.

a deepening relationship with China. However, by the mid-to-late 2010s, this became increasingly problematic due to the growth of the Indo-Pacific concept. Although the Indo-Pacific concept had its roots in security cooperation between Japan and India, it was not until the United States' official adoption of an Indo-Pacific outlook in 2017 that the concept truly impacted regional geopolitics. The 2017 National Security Strategy of the United States of America articulated that the "United States must marshal the will and capabilities to compete and prevent unfavorable shifts in the Indo-Pacific" and that China had now emerged as a strategic competitor. 27

The Indo-Pacific region has undergone significant geopolitical shifts in recent years. Former US President Barack Obama's announcement of a pivot to Asia in 2011 marked the beginning of a clear trajectory toward a potential clash between China and the United States. Since Joe Biden's election in 2020, with his "America must lead again" ideology, the United States has pursued various diplomatic and strategic initiatives, including revitalizing the Quadrilateral Security Dialogue (Quad), establishing AUKUS (a trilateral security agreement involving Australia and the United Kingdom), and introducing the Indo-Pacific Economic Framework (IPEF).<sup>28</sup>

Meanwhile, China has actively sought to expand its regional influence through initiatives like the Belt and Road Initiative (BRI), characterized by substantial infrastructure investments aimed at fostering trade and enhancing potential security ties with neighboring countries. China's assertiveness in territorial disputes—particularly in the South China Sea, the Taiwan Strait, and its border with India—has been backed by increased military expenditure and a rise in domestic nationalism. These developments have also seen China making efforts to exert greater influence in the South Pacific region.

Consequently, the Indo-Pacific space has become a geopolitical setting that is increasingly less amenable to more ambitious forms of hedging. It is an area without an agreed security architecture (thus increasingly anarchic), with rising bipolarity (although the United States still holds a significant power advantage over China), and growing levels of enmity (despite Sino-American trade relations remaining quite interdependent for now). This region is increasingly referred to as the ground zero of a new Cold War. While there are strong material and ideational reasons for why that assertion is hyperbolic, it is undeniable that psychologically, China and the United States are falling into the trap of seeing each other as unequivocal enemies.

<sup>&</sup>lt;sup>27</sup> National Security Strategy of the United States of America (Washington: The White House, 18 December 2017), https://trumpwhitehouse.archives.gov/.

<sup>&</sup>lt;sup>28</sup> Joseph R. Biden, Jr., "Why America Must Lead Again: Recusing US Foreign Policy after Trump," Foreign Affairs 99, no. 1 (March/April 2020): 64-76, https://www.foreignaffairs.com/.

For the sub-great powers caught in the middle, this is likely to create significant foreign policy headaches and further shrink the room for hedging, leading to more conventional balancing or bandwagoning choices. However, the geopolitical environment of the Indo-Pacific is not homogenous and affects states differently depending on their proximity to perceived security threats. The Indo-Pacific should be seen as a constellation of different regions linked together rather than a single, unified region.<sup>29</sup>

Consequently, the geopolitics of the Indo-Pacific looks vastly different from the vantage point of Singapore, which resides in Southeast Asia close to China, compared to New Zealand, which is on the outskirts of the Indo-Pacific, far from China and the major geopolitical flashpoints. The Singapore model has gained popularity in foreign policy debates as something New Zealand should consider emulating.<sup>30</sup> However, considering New Zealand's relative geopolitical position compared to other states is essential when evaluating the utility of other states' foreign policies for New Zealand.

Geopolitical proximity helps explain why New Zealand (and Australia) had more room in the early 2010s to significantly grow their trade with China compared to ASEAN states that had to be more cautious and security-conscious due to their greater geopolitical proximity. New Zealand initially tried to ignore the growth of the Indo-Pacific concept. In 2018, then-Foreign Minister Winston Peters stated, "An Indo-Pacific configuration makes a lot of sense for some countries—certainly for Australia which has one coast on the Indian Ocean; and for India, bound into Asia by history, geography, and commerce. However, the term 'Asia Pacific' resonates with New Zealanders because of our own geography. This is consistent with—and indeed complementary to—our partners' policies." <sup>31</sup>

By 2019, however, New Zealand officially adopted the Indo-Pacific concept in press releases, speeches, and strategy papers. As David Scott argues, New Zealand sought "Indo-Pacific cooperation" with Japan, the United States, India, and Australia "over shared concerns about China." Ardern visited Washington in 2022 and in a joint statement with Joseph Biden, New Zealand and the US acknowledged that "as the security environment in the Indo-Pacific evolves, so must our defense

<sup>&</sup>lt;sup>29</sup> Paul Bacon and Nicholas Ross Smith, "The Indo-Pacific: Not a Region nor Super-Region but a Macro-Securitization Construct" (working paper, ResearchGate, October 2024), <a href="https://www.researchgate.net/">https://www.researchgate.net/</a>.

<sup>&</sup>lt;sup>30</sup> Stephen Jacobi, "Singapore Points the Way for NZ to Avoid Geopolitical Conflict," *Newsroom*, 22 June 2023, https://newsroom.co.nz/.

<sup>&</sup>lt;sup>31</sup> Winston Peters, "Next Steps" (speech, Ministry of Foreign Affairs, 29 June 2018), <a href="https://www.beehive.govt.nz/">https://www.beehive.govt.nz/</a>.

<sup>&</sup>lt;sup>32</sup> David Scott, "New Zealand Picks up on the Indo-Pacific," *Asia Pacific Bulletin*, 18 Maarch 2020, <a href="https://www.eastwestcenter.org/">https://www.eastwestcenter.org/</a>.

cooperation" as well as a need for "shared commitment among New Zealand and AUKUS partners to the peace and stability of the Indo-Pacific region." <sup>33</sup>

However, the adoption of the Indo-Pacific concept in Wellington had less to do with China's behavior and more with macrosecuritization efforts from Washington, Canberra, and Tokyo.<sup>34</sup> At the heart of the Indo-Pacific concept is the idea that the free and open Indo-Pacific (FOIP) is under existential threat from China's actions. This aligned with Wellington's rising concerns about China and fed into a more existential concern for New Zealand: the end of the rules-based international order.

While New Zealand has few serious geopolitical concerns due to its geographic position, maintaining trade is arguably its foremost security concern, especially as trade accounts for roughly 49 percent of its gross domestic product. Jason Young argues that New Zealand's identity as a small trading nation is embedded in its ontological security-seeking and that any threat to the status quo is seen as a threat to the very identity of New Zealand. For securitization to be successful, the highlighted threat needs to be seen as credible. China's growing assertiveness, both material and rhetorical, has certainly helped the macrosecuritization efforts of the United States and its allies.

Under Xi Jinping's leadership, a key strategic narrative for China has been to "signal the wider world that it can no longer be bullied and that it deserves respect." While this might resonate in the non-Western world, which has also suffered under Western imperialism, it potentially leaves the West perceiving China as seeking revenge for past wrongdoings.<sup>37</sup> In other words, China's defensiveness and wolf warrior diplomacy help confirm the caricature at the heart of Indo-Pacific macrosecuritization.

New Zealand's choice to adopt the Indo-Pacific concept did not immediately end its asymmetrical hedge, but it did set a different lens for viewing New Zealand's regional geopolitical setting. By adopting the Indo-Pacific concept, New Zealand inadvertently brought significantly more geopolitical pressures on itself

<sup>&</sup>lt;sup>33</sup> Joseph Biden and Jacinda Ardern, "United States – Aotearoa New Zealand Joint Statement" (joint statement, The White House, 31 May 2022), https://www.whitehouse.gov/.

<sup>&</sup>lt;sup>34</sup> Bacon and Smith, "The Indo-Pacific."

<sup>&</sup>lt;sup>35</sup> Nicholas Ross Smith and Bonnie Holster, "New Zealand's 'Māori Foreign Policy' and China: A Case of Instrumental Relationality?," *International Affairs* 99, no. 4 (July 2023): 1575–93, https://doi.org/.

<sup>&</sup>lt;sup>36</sup> Jason Young, "Seeking Ontological Security through the Rise of China: New Zealand as a Small Trading Nation," *Pacific Review* 30, no. 4 (2017): 513–30, https://doi.org/.

<sup>&</sup>lt;sup>37</sup> Nicholas Ross Smith and Tracey Fallon, "From Positive to Negative Historical Statecraft: The Shifting Use of History in China's Diplomacy," *Hague Journal of Diplomacy* 19, no. 2 (2024), 333, https://doi.org/.

and accelerated the shrinking of its room for hedging because it has firmly inserted itself into the Indo-Pacific security constellation.<sup>38</sup>

## New Zealand's Indo-Pacific Outlook Post-Ardern

In late 2023, the Sixth National Government was elected to power in New Zealand, with Christopher Luxon taking over as prime minister and Winston Peters returning as foreign minister (he also served as foreign minister during Ardern's first term from 2017 to 2020). The new government inherited a significantly more difficult geopolitical setting than Ardern did in 2017. China is no longer seen as a comprehensive strategic partnership but rather a troublesome partner, one on which New Zealand is too dependent for trade. Furthermore, New Zealand has become more pessimistic about the geopolitical situation developing in the Indo-Pacific and has increasingly looked to the United States for security cooperation, a trend that began during Ardern's second term.

Yet, despite a cooling in the relationship with China since 2017, China still ranked as New Zealand's most important trading partner, and as of late 2023, New Zealand was still firmly entrenched in an asymmetrical hedge. This is not to say that New Zealand hasn't taken steps to address this. Trade diversification efforts to lessen New Zealand's reliance on China as a market have ramped up noticeably over the last decade. In 2018, New Zealand signed on to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), a mega-regional FTA that includes 11 Indo-Pacific partners: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, Vietnam, and New Zealand. Furthermore, in 2023 and 2024 respectively, FTAs with the United Kingdom and the European Union came into force.

Trade diversification, in general, takes time, but given the geographical distance to the UK and the EU (and in the EU's case, the terms of the agreement), the prospects for these FTAs to help diversify trade remain a point of significant skepticism.<sup>39</sup> Consequently, in the first six months since the Sixth National Government took over, there has been little obvious material change in how New Zealand engages with China. However, rhetorical changes can be observed.

<sup>&</sup>lt;sup>38</sup> Bacon and Smith, "The Indo-Pacific."

<sup>&</sup>lt;sup>39</sup> Jenée Tibshraeny, "NZ All Talk, No Action on Diversifying Exports beyond China," *New Zealand Herald*, 16 June 2022, https://www.nzherald.co.nz/.

First, New Zealand has scrapped the "taniwha and dragon" framework that Ardern and former Foreign Minister Nanaia Mahuta regularly used. 40 This is part of a broader move away from what was labeled a "Maori foreign policy," guided by key Māori principles (tikanga), such as kindness (manaakitanga), connectedness (whanaungatanga), shared aspirations (kotahitanga), and intergenerational stewardship (kaitiakitanga). 41 Second, China has been more overtly identified as a threat. In the 2024 New Zealand's Security Threat Environment report released by the Security Intelligence Service (SIS), China was explicitly labeled a "complex intelligence concern." In previous reports, the SIS was more likely to imply the threat of China than outrightly state it. 42 The current foreign minister, Winston Peters, has also not been shy in calling China out, especially over allegations of cyberattacks. 43

New Zealand has been far more strategically proactive in its engagement with the US and Australia. The zenith of this engagement has been the serious ramping up of discussions about New Zealand participating in AUKUS, mostly around joining Pillar II. In the first eight months of 2024, New Zealand officials discussed AUKUS with both Australia and the United States. A joint US–NZ declaration stated, "We share the view that arrangements such as the Quad, AUKUS, and the Indo-Pacific Economic Framework for Prosperity contribute to peace, security, and prosperity in the Indo-Pacific and see powerful reasons for New Zealand engaging practically with them, as and when all parties deem it appropriate."<sup>44</sup>

In a speech in Port Moresby, Papua New Guinea, Peters remarked that "the Pacific remains a core priority for New Zealand's international relations" but that "we are seeing is, in effect, a collision of the Pacific and the Indo-Pacific" and "we welcome new architecture like AUKUS or the Quad" to complement "what already exists." New Zealand's prime minister, Christopher Luxon, has also voiced support for exploring participation in AUKUS. On a bilateral visit to Sydney in August

<sup>&</sup>lt;sup>40</sup> Smith and Holster, "New Zealand's 'Māori Foreign Policy' and China"; and Nina Hall and Rhieve Grey, "New Zealand Abandons Indigenous Rights and Pacific Priorities in Foreign Policy," *The Diplomat*, 21 December 2023, https://thediplomat.com/.

<sup>&</sup>lt;sup>41</sup> Nicholas Ross Smith and Bonnie Holster, "New Zealand: Can an Indigenous Foreign Policy Deliver?," *CSDS Policy Brief*, no. 21 (2022), https://csds.vub.be/.

<sup>&</sup>lt;sup>42</sup> New Zealand's Security Threat Environment (Wellington: New Zealand Security Intelligence Service, 2024), https://www.nzsis.govt.nz/.

<sup>&</sup>lt;sup>43</sup> Molly Swift, "Winston Peters Calls out China's Cyber-Attacks during Speech," *Newshub*, 5 March 2024, https://www.newshub.co.nz/.

<sup>&</sup>lt;sup>44</sup> Antony J. Blinken and Winston Peters, "Joint Declaration by United States Secretary of State the Honorable Antony J. Blinken and New Zealand Minister of Foreign Affairs the Right Honourable Winston Peters" (joint statement, US Department of State, 11 April 2024, <a href="https://www.state.gov/">https://www.state.gov/</a>.

<sup>&</sup>lt;sup>45</sup> Winston Peters, "The Pacific Family of Nations—the Changing Security Outlook" (speech, Ministry of Foreign Affairs, 13 May 2024), https://www.beehive.govt.nz/.

2024, Luxon stated that "our strategic outlook is deteriorating more rapidly than at any time in our lifetimes" and "we welcome AUKUS as an initiative to enhance regional security and stability." <sup>46</sup> Although he stressed that "New Zealand is not involved in Pillar I of AUKUS," Luxon did state that "New Zealand is exploring with the AUKUS partners how we could potentially participate in Pillar II." <sup>47</sup>

New Zealand's flirtation with AUKUS has not gone unnoticed in Beijing. China's ambassador to New Zealand, Wang Xiaolong, stated that:

Like many other peace-loving countries in the region, China has grave concerns over any attempt to enlarge and upgrade the AUKUS defence cooperation.... this move, driven by the Cold War mentality, might induce a new round of the arms race and lead to increased tension in the region and beyond. It will upset the strategic balance in the region and constitute a new material threat to its countries.... participation in Pillar II would compromise New Zealand's ability to maintain a principled, independent voice.<sup>48</sup>

New Zealand joining AUKUS—even just the Pillar II aspect—would likely signal an end to its mature relationship with China and change the nature of its asymmetrical hedge. This would leave New Zealand pursuing a more conventional approach, similar to Australia. While trade with China would remain important, New Zealand would take steps to lower its dependence on China as a market, further integrating itself within the US-led Indo-Pacific security architecture.

Participating in AUKUS could open the door to New Zealand participating in the Quad or a variant of it, and even potentially resurrecting the ANZUS alliance. This would be unequivocal balancing behavior, solidifying New Zealand's relationship with the dominant power (the US) against the revisionist power (China) to preserve the status quo (the US-led security architecture). New Zealand's recent flirtations with AUKUS have raised questions about the extent of its independent foreign policy.

The notion of New Zealand's independent foreign policy dates back to the 1930s, based on the idea that New Zealand should avoid "loyal dissent or loyal opposition" on international issues and strive to pursue "a progressive critique of an existing pattern." Over time, this notion—conceptualized as a role identity—became embedded within New Zealand's strategic culture. New Zealand's decision to stand

<sup>&</sup>lt;sup>46</sup> Christopher Luxon, "Foreign Policy Speech to the Lowy Institute" (speech, Office of the Prime Minister, 15 August 2024), https://www.beehive.govt.nz/.

<sup>&</sup>lt;sup>47</sup> Luxon, "Foreign Policy Speech to the Lowy Institute."

<sup>&</sup>lt;sup>48</sup> Wang Xiaolong, "Why China Has a Grave Concern over AUKUS, Even Pillar II," *Newsroom*, 14 April 2024, https://newsroom.co.nz/.

<sup>&</sup>lt;sup>49</sup> McKinnon, Independence and Foreign Policy.

up to the United States in the 1980s is often cited as irrefutable evidence of this independence in practice.

Indeed, New Zealand has demonstrated an ability to take independent stances at times. In the recent past, its mature relationship with China and its unwillingness to join a Five Eyes-led backlash against Beijing is another example of an independent stance. However, there have been instances where New Zealand has failed to take independent stances. For instance, it supported the Global War on Terror, sending personnel to both Afghanistan (2001–2021) and Iraq (2003–2007). In 2015, then-Prime Minister John Key candidly responded to criticism of New Zealand providing military assistance to Iraq to help the United States curb the rise of the Islamic State (ISIS) as "the price of the club," the club being the "Five Eyes intelligence alliance." <sup>50</sup>

One of the loudest and most prominent voices in the debate around AUKUS and New Zealand's so-called independent foreign policy is former Prime Minister Helen Clark and former leader of the opposition Don Brash. For Clark and Brash, New Zealand's recent foreign policy developments signal the potential end of its independent foreign policy as the Sixth National Government seems determined to "throw in our lot with America's attempt to slow China's economic rise and keep it tightly hemmed in by American forces in South Korea, Japan, Guam, the Philippines, Papua New Guinea and Australia."51

For Clark, Brash, and others arguing for "New Zealand as an independent power," New Zealand has typically "made decisions based on our own values and priorities." However, this argument overlooks the geopolitical room (the independent variable in the theoretical underpinnings of this article) available at the time foreign policy decisions were made.

Therefore, based on the theoretical position of this article, the apparent recent change in course should not be seen as New Zealand moving away from its independent foreign policy. Rather, it demonstrates that New Zealand's independent foreign policy role identity is more appropriately situated as an intervening variable to its foreign policy making. This identity acts as a cognitive framework for decision makers, a filter to make sense of the international system and how New Zealand should act within it. Moments of independence should not be conflated

<sup>&</sup>lt;sup>50</sup> Audrey Young, "Prime Minister John Key: Isis Fight 'Price of the Club," New Zealand Herald, 20 January 2015, https://www.nzherald.co.nz/.

<sup>&</sup>lt;sup>51</sup> Helen Clark and Don Brash, "Helen Clark and Don Brash: Aukus—NZ Must Not Abandon Our Independent Foreign Policy," *New Zealand Herald*, 12 February 2024, https://www.nzherald.co.nz/.

<sup>&</sup>lt;sup>52</sup> Helen Clark and Marco de Jong, "NZ's Independent Foreign Policy Hugely Compromised," *Newsroom*, 10 July 2024, https://newsroom.co.nz/.

with a consistent independent foreign policy. At no point in New Zealand's history has it existed independently outside of the Anglosphere security architecture. Even when New Zealand was suspended from ANZUS, it remained in Five Eyes, and its ANZUS obligations to Australia (and vice-versa) remained legally binding.

Additionally, some observers might point to the change in government in 2023 as the key driver of New Zealand's altering foreign policy grand strategy, particularly as AUKUS has been firmly on the table only since the change of government. However, the main drivers are found in the changing geopolitical dynamics of the Indo-Pacific. After all, it was the choice of the Sixth Labour Government in 2019 to formally adopt an Indo-Pacific outlook, and it was former Minister of Defence Andrew Little who first raised the idea of joining AUKUS. The decision to adopt the Indo-Pacific concept thrust New Zealand from the relative geopolitical calm of the previous three decades into a deteriorating Indo-Pacific security constellation, one that is increasingly anarchic with growing levels of enmity. Consequently, the regional security setting that New Zealand resides in is a more convincing independent variable in its foreign policy making.

For example, New Zealand's decision to challenge the United States in the 1980s came with relatively minimal costs. By that point in the Cold War, there were few Pacific threats, given that the Vietnam War had been over for a decade and China and the United States had embarked on a process of rapprochement. There were simply no serious threats to New Zealand's security, allowing it to take a moral stand, even at the cost of hurting its security relationship with the United States.

However, with New Zealand choosing to adopt the Indo-Pacific concept, the regional security setting has significantly altered. This shift helps explain why New Zealand has felt it necessary to seriously consider joining AUKUS and take steps to move away from its asymmetrical hedge by lessening its dependence on China. New Zealand now views itself as existing in a regional setting where great-power competition is intense. According to its ministers of defense and foreign affairs and trade, even the threat of World War III needs to be taken seriously.<sup>53</sup>

#### Discussion: Can the Indo-Pacific Be Desecuritized in New Zealand?

The securitization of China as a threat to New Zealand's material and ontological security significantly impacts foreign policy makers' perceptions of regional security in New Zealand. This development is hard to reverse in the short-to-medium term. Desecuritization efforts from China are likely to fail because New Zealand

<sup>&</sup>lt;sup>53</sup> Thomas Manch, "Judith Collins, Winston Peters Are Concerned about World War III," *The Post*, 25 June 2024, https://www.thepost.co.nz/.

is firmly embedded within the US-led security architecture and remains a core member of the Five Eyes intelligence alliance.<sup>54</sup> Consequently, China's efforts to characterize the Unite States' Indo-Pacific policies as suffering from a "Cold War mentality" are unlikely to gain traction in Wellington.<sup>55</sup>

However, other forms of desecuritization might have more impact in New Zealand. For instance, Pacific Island Countries (PIC) have taken a proactive role in offering their vision of how the Pacific should be ordered. Many PICs reject the Indo-Pacific concept and fear the emergence of great-power politics between China and the United States as hindering their agency and shifting focus away from what is widely considered the most pressing existential threat to the region: climate change.<sup>56</sup>

Under the auspices of the Pacific Islands Forum, PICs have forwarded the Blue Pacific concept, a non-Western and non-anthropocentric perspective of the Pacific that draws heavily from Polynesian, Micronesian, and Melanesian ontologies and epistemologies. As Tuvalu's then-foreign minister, Simon Kofe, said in 2022, "if we're truly serious about world peace, and we're really serious about addressing climate change, then there really is no good guys and bad guys.... We need China on board. We need the US on board." <sup>57</sup>

New Zealand's relationship with the Pacific is sacrosanct in its foreign policy. The Pacific—formerly colloquially known as the "South Pacific"—has long been central to New Zealand's foreign policy.<sup>58</sup> New Zealand previously controlled Western Samoa, seizing it from Germany in 1914. Niue and the Cook Islands, although no longer part of New Zealand, remain in free association with New Zealand.<sup>59</sup> Only Tokelau remains under New Zealand's sovereign control.

New Zealand has been instrumental in helping set up key Pacific institutions, most notably the Pacific Islands Forum.<sup>60</sup> Furthermore, New Zealand has consistently been one of the largest aid donors to the Pacific, currently trailing only Australia and the

<sup>&</sup>lt;sup>54</sup> Nicholas Ross Smith and Lauren Bland, "The AUKUS Debate in New Zealand Misses the Big Picture," *Australian Journal of International Affairs* 78, no. 5 (August 2024), https://doi.org/.

<sup>&</sup>lt;sup>55</sup> Smith and Fallon, "From Positive to Negative Historical Statecraft."

<sup>&</sup>lt;sup>56</sup> Joanne Wallis et al., "Security Cooperation in the Pacific Islands: Architecture, Complex, Community, or Something Else?," *International Relations of the Asia-Pacific* 23, no. 2 (May 2023): 263–96, https://doi.org/.

<sup>&</sup>lt;sup>57</sup> Lucy Craymer, "Tuvalu Minister Says Both China, U.S. Needed for Climate Change Action," *Reuters*, 24 August 2022, https://www.reuters.com/.

<sup>&</sup>lt;sup>58</sup> Anna Powles and Michael Powles, "New Zealand's Pacific Policies-Time for a Reset?," New Zealand International Review 42, no. 2 (March/April 2017): 16–21, https://www.jstor.org/.

<sup>&</sup>lt;sup>59</sup> Zbigniew Dumieński, "Shared Citizenship and Sovereignty: The Case of the Cook Islands' and Niue's Relationship with New Zealand," in *The Palgrave Handbook of Ethnicity*, ed. Steven Ratuva (Singapore: Springer, 2019), 221–46, https://doi.org/.

<sup>&</sup>lt;sup>60</sup> Stephanie Lawson, "Australia, New Zealand and the Pacific Islands Forum: A Critical Review," *Commonwealth & Comparative Politics* 55, no. 2 (2017): 214–35, https://doi.org/.

United States as a "grantor." Despite adopting the Indo-Pacific concept, the Pacific—geographically the South Pacific—remains the most pressing concern in Wellington. To this end, New Zealand has sought to ensure that the PICs are not forgotten in the Indo-Pacific discourse. As then-Foreign Minister Mahuta stated in 2023:

our interests are shaped by the great blue continent—Te Moana nui a Kiwa, our connections are deep and longstanding. So the Pacific is a primary consideration for NZ as we think about our place in the world and what really matters to our sense of well-being. The centrality of Pacific regional architecture matters and need to be better understood. We cannot reference the Indo-Pacific geo-strategic challenges and the Pacific ends up being a footnote.<sup>62</sup>

Even under the Sixth National Government, despite moving away from its Maori foreign policy framework, the Pacific remains the most important foreign policy concern for New Zealand. In Luxon's words, "we want to be great partners to our Pacific friends . . . that means listening to their priorities and partnering with them on real solutions."

At this vantage point, it is clear that New Zealand's foreign policy grand strategy is experiencing a significant shift away from the asymmetrical hedging strategy that defined the 2010s toward something more akin to a conventional balancing strategy. New Zealand's adoption of the Indo-Pacific concept has shifted its strategic calculus towards a more pessimistic view of its regional security setting while adopting a more cautious and suspicious stance towards China.

Although the Pacific remains central to New Zealand's foreign policy and the PICs may work to desecuritize the Indo-Pacific to some extent, New Zealand's broader foreign policy strategy is experiencing a notable shift. This makes previously unthinkable outcomes, like participating in AUKUS, appear as extraordinary but necessary steps to combat the perceived existential challenges emerging from China's rise and assertiveness. •

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<sup>61 &</sup>quot;Pacific Aid Map," Lowy Institute, 2023, https://pacificaidmap.lowyinstitute.org/.

<sup>&</sup>lt;sup>62</sup> Nanaia Mahuta, "Why the Pacific way matters for regional security" (speech, Ministry of Foreign Affairs, 3 May 2023), https://www.beehive.govt.nz/speech/why-pacific-way-matters-regional-security.

<sup>63</sup> Luxon, "Foreign Policy Speech to the Lowy Institute."

